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Obama meets with Dalai Lama

Talks may further strain U.S.-China relations; president expresses 'strong support' for Tibet's identity

By Sky Canaves

U.S. President Barack Obama met with the Dalai Lama at the White House Thursday, possibly further chilling already frosty U.S.-China relations.

Mr. Obama told the Dalai Lama of his "strong support" for preservation of Tibet's identity and encouraged talks between the exiled Tibetan leader and China, according to the Associated Press. After over an hour of private talks, the Dalai Lama said he was "very happy." He said he spoke to Mr. Obama about the promotion of human value, religious harmony and the concerns of the Tibetan people, said the AP.

China has expressed repeated objections to the meeting. Last Friday, China's Ministry of Foreign Affairs issued a statement calling it a "wrong decision." In the statement, Foreign Ministry spokesman Ma Zhaoxu said China resolutely opposes the Dalai Lama's visit to the U.S. and any contact between U.S. leaders and the exiled Tibetan leader.

"We urge the U.S. side to fully understand the high sensitivity of Tibet-related issues, honor its commitment to recognizing Tibet as a part of China and opposing "Tibet independence," Mr. Ma said.

Mr. Obama declined to meet the Dalai Lama during the Tibetan spiritual leader's trip to the U.S. in October to avoid heightening tensions ahead of the U.S. president's first state visit to China in November.

Beijing has always objected to meetings between foreign leaders and the Dalai Lama. The Dalai Lama began visiting Washington in 1991, when George H.W. Bush was president and has met privately with every U.S. president since. In late 2007, President George W. Bush presented the Dalai Lama with the Congressional Gold Medal in the first public appearance of a U.S. president with the Tibetan spiritual leader. Since then and after riots swept through Tibetan areas of China in early 2008, China has stepped up its opposition to the Dalai Lama's international outreach.

In late 2008, China lashed out at French President Nicolas Sarkozy's announcement that he would meet with the Dalai Lama by abruptly pulling out of an annual EU-China summit. A meeting with the Danish Prime Minister in May 2009 drew such strong recriminations from China that the Danish government subsequently issued a statement explicitly opposing Tibetan independence.

"China has had a huge run of success in this strategy of using the Dalai Lama as a sort of casus belli," said Robert Barnett, director of the modern Tibetan studies center at Columbia University.

The result has been a sharp reduction in the number of meetings between the Dalai Lama and foreign leaders: Two last year, compared with an average of four per year during the previous four years. Several other governments, including the U.K. and France, have issued statements similar to Denmark's, supporting Chinese sovereignty over Tibet and rejecting Tibetan independence.

In addition, China has increasingly objected to the Dalai Lama's overseas travel, even when it doesn't involve meetings with foreign leaders.

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Agence France-Presse/Getty Images

The Dalai Lama said President Barack Obama was "supportive" after his meeting with the president at the White House.

Tiger Woods to break silence

The golfer plans to issue a statement Friday to apologize for past behavior and discuss his plans. **Page 8**

Myanmar privatizations

By a Wall Street Journal Reporter

BANGKOK—A flurry of privatizations of key state enterprises in Myanmar is raising speculation about whether the country's military regime is planning more market reform or simply trying to cash out before an election expected later this year.

The Myanmar government plans to sell a number of major assets, including a network of 250 state-owned gas stations, and ports handling a large percentage of the country's trade, according to local industry officials and Reuters news agency. It also is planning to sell factories, cinemas and warehouses, and may be contemplating a sale of the country's international airline, among other assets.

Obtaining complete information about the moves is difficult, as it is with any government activity in Myanmar, a country notorious for its secrecy. The regime rarely speaks to foreign journalists, and attempts to reach the government to confirm details, such as as sales prices and buyers, were unsuccessful. Than Shwe is the country's top military leader, but he doesn't often speak openly on policy, and it isn't clear which senior junta members are driving the latest privatization push.

But core elements of the push, including the sale of ports and gas stations, were confirmed by the Union of Myanmar Federation of Chambers of Commerce and Industry, which represents Myanmar's business sector, and by economists and dissidents familiar with the government's plans.

"We expect more" privatizations to come, said Maung Maung Lay, secretary-general of the federation, in a telephone interview. "The government wants to go according to international norms" and expand the role of the private sector, he said.

Local media have reported that Myanmar's **Kanbawza Bank**, one of the many private banks that proliferated amid reforms in the 1990s, will buy up to 80% of state-controlled **Myanmar Airways International**, while the government would hold the remaining 20%. An employee at the airline said only that a deal was "not officially an-

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IBM Power 595 Server Model 9119-FHA, 6,085,166 tpmC, $2.81/tpmC, available 12/10/08.

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What's News—

* * *

What's News

■ **Japan's central banker** rejected the idea of setting a specific inflation target, shortly after top politicians raised the prospect that the government might embrace such a goal. **3**

■ **Willcom filed** for bankruptcy protection in Japan, wiping out a $400 million investment by U.S. private-equity firm Carlyle. **15**

■ **U.S. stocks posted** small gains, aided by earnings from Hewlett-Packard. Australian shares were under pressure on disappointing results from Qantas and falling mining stocks. **23**

■ **China Unicom said** it wasn't part of the bidding for a 75% stake in Nigerian Telecommunications, but a Nigerian company said it was its partner in the winning consortium. **16**

■ **Hutchison** Telecommunications said it will delay its 2009 earnings results until discussions with U.S. securities regulators over the company's accounting procedures are resolved. **17**

■ **Qantas posted** a profit decline and suspended its dividend, and the carrier's shares fell 8.1%. **16**

■ **China Investment Corp.** has set its sights on the private-equity secondary market as its seeks to diversify its investments. **23**

■ **A Russian oil** blend called ESPO is providing new competition for Mideast suppliers. **19**

■ **Toyota is finding** it has friends in Washington even as U.S. regulators widen their scrutiny to include possible steering problems with its Corolla compact. **18**

■ **U.S. wholesale prices rose** 1.4% in January on the back of higher energy costs. **9**

■ **Greek officials said** a currency swap undertaken by the government in 2001 had no bearing on the country's eligibility for entry into Europe's common currency because Greece was already a member at the time. **6**

Reuters

U.S. President Barack Obama signed an order Thursday creating a bipartisan commission to confront the U.S. budget deficit, saying the panel is designed to overcome the partisan politics that have kept lawmakers from dealing with the ballooning deficit in the past. Above, the president is flanked by Vice President Joe Biden, left, and the two men who will lead the panel: former White House Chief of Staff Erskine Bowles, second right, and former Republican Sen. Alan Simpson, right.

■ **Federal Reserve officials** are intensifying planning for a reversal of emergency policies put in place during the financial crisis, minutes of their January meeting showed. **9**

■ **Galleon Group's founder** and a co-defendant will go to trial Oct. 25 on criminal insider-trading charges, after the scheduled Aug. 2 trial in the civil case. **21**

■ **Computer makers** are developing strategies and devices to challenge Apple's iPad, hoping to capitalize on new interest in tablet devices. **20**

■ **Australian exchange operator** ASX's first-half net profit fell 2.3% as interest income fell sharply. **21**

■ **Hewlett-Packard's** quarterly profit jumped 25% amid surging computer sales, a signal that the tech-spending crunch is over. **20**

* * *

World-Wide

■ **Pakistani authorities arrested** a pair of senior Taliban leaders, Afghan officials said, as Pakistani and American intelligence agents step up the pressure on the militants' leadership. **7**

■ **Afghan and coalition officials** are moving toward trying to deliver a new government administration to secure Marjah. **7**

■ **A bomb blast at a mosque** in Pakistan's northwestern tribal belt killed 29 people including some militants.

■ **China's envoy to the U.N.**, Zhang Yesui, will become its new ambassador to the U.S. **4**

■ **The U.N.'s climate chief** will resign to take a position at consulting group KPMG as global adviser on climate and sustainability.

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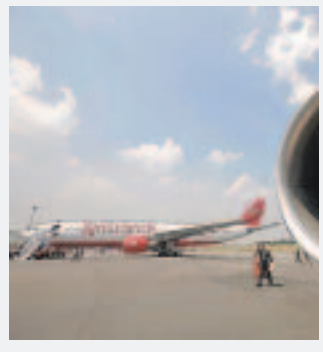

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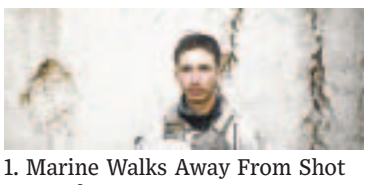

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Heard on the Runway

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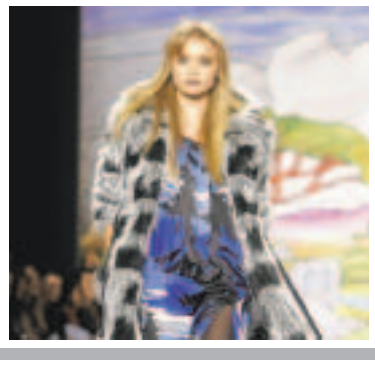
Anna Sui hasn't met a print she doesn't like or can't work with, a skill that was on display with her fall 2010 collection.



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Follow the weekend action from the Winter Olympics in Vancouver at **wsj.com/olympics**.

The Juggle

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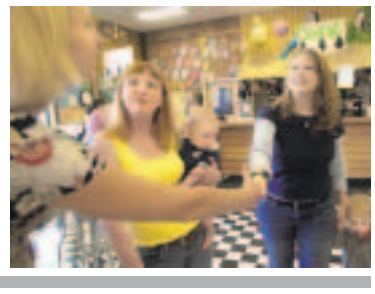

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WORLD NEWS

BOJ opposes target for inflation

TOKYO—Japan's central banker rejected the idea of setting a specific inflation target, shortly after top politicians raised the prospect that the government might embrace such a goal—the latest sign of tussling between the Bank of Japan and other policy makers.

*By **Yuka Hayashi, Megumi Fujikawa***
*And **Tomoyuki Tachikawa***

Two days after Finance Minister Naoto Kan made remarks that were interpreted as raising the prospect of embracing inflation targeting, Bank of Japan Gov. Masaaki Shirakawa made it clear he had no intention of using such a step and explained in detail why he considers it inappropriate.

"There is a mood [around the world] to reconsider the use of the framework of inflation targeting following the recent financial crisis," Mr. Shirakawa said at a news conference Thursday. "People now see that by focusing excessively on the movement of prices, policy makers failed to spot imbalances in the economy and financial system."

Masaaki Shirakawa

Mr. Shirakawa was speaking after a two-day meeting at which the policy board voted unanimously to leave the unsecured overnight call loan rate at 0.1%. The BOJ has left the rate at that level since December 2008.

Market participants were closely monitoring what Mr. Shirakawa would say about inflation targeting after Mr. Kan said Tuesday that Japan should make it a "policy goal" to shore up its key consumer price index to 1%.

The finance minister, speaking at a parliamentary committee session, also said it was his understanding that the Bank of Japan shared this view, a remark interpreted by some economists as piling more pressure on the BOJ to adopt inflation targeting—a policy where a central bank declares a target for inflation and guides actual price levels toward that goal through monetary policy conduct such as interest-rate changes.

Mr. Kan's remarks were in response to an opposition party politician's question on why the government isn't urging the BOJ to set an inflation target, forcing the central bank to take policy action to meet goals. Mr. Kan didn't explicitly say whether he favored such a binding mechanism.

Mr. Shirakawa, a professor-like career central banker who chooses his words carefully, didn't stop at dismissing inflation targeting. He shot back at Mr. Kan by stressing how important it was for governments to show roadmaps for meeting their tattered fiscal balance sheets—one of Mr. Kan's main priorities in the coming weeks.

The comments by the top economic policy makers emerged as the five-month-old government of Prime Minister Yukio Hatoyama accelerates formulating its long-term economic policy, including how to reduce its huge fiscal deficit and how to put the nation's sluggish economy back on a growth path against the odds as the population ages and shrinks. Many economists believe conquering deflation is the first priority.

With the debt burden keeping Tokyo from relying heavily on fiscal stimulus, senior government officials have been pressuring the central bank to do more to fight deflation. But with Japan's policy rate already near zero, the BOJ is also short on obvious steps. Economists have suggested inflation targeting and purchases of government bonds as possible steps, among others.

Inflation targeting has become a favored policy among many central banks around the world, including the U.K. and Canada, but the BOJ has resisted it, fearing that Japan's strong downward bias in prices would prevent the BOJ from ever raising interest rates. Instead it has relied on a softer price guidance in determining its policy. The bank uses a range between 0% and 2% for the core consumer price index as one that meets its "understanding of medium- to long-term price stability." Still, the index has remained well below minus-1% since May last year, prompting the BOJ to declare in December it won't tolerate the index below 0%.

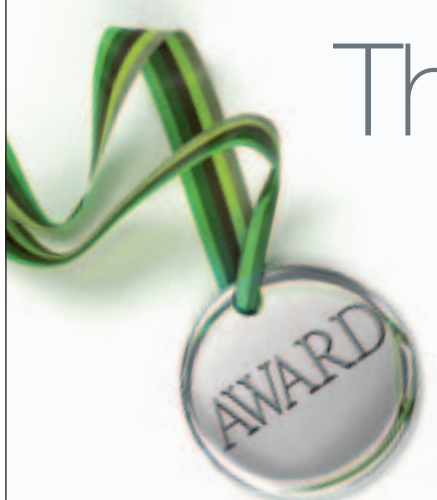
Mr. Shirakawa said Thursday that if a central bank concentrates only on achieving a short-term price goal, "that could have an adverse effect on sustainable economic growth, which is the final goal of monetary policy."

"He expressed a very negative view" on adopting inflation targeting," said Jin Kenzaki , a Citigroup Global Markets Japan economist.

Analysts say the BOJ chief's comments also suggested the central bank won't embark on further easing steps for now to stop deflation. Some say, however, the BOJ might be forced to loosen policy more toward the middle of the year if the domestic economy loses momentum from its recent strong performance—data released Monday showed the economy grew at a 4.6% annualized pace in the final quarter of 2009.

With a key Upper House election coming this summer, at which the ruling Democratic Party of Japan hopes to win a majority, political pressure on the BOJ to do more to improve the economic picture could rise, analysts say.

EQUITY BROKERAGE AND DERIVATIVES



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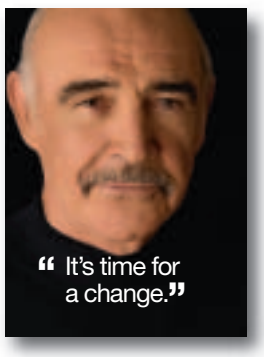

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WORLD NEWS

Hackers mount a new global attack

Major offensive has snagged corporate, personal data at more than 2,400 organizations; operation is still running

By Siobhan Gorman

Hackers in Europe and China successfully broke into computers at more than 2,400 companies and government agencies in multiple nations over the last 18 months in a coordinated global attack that exposed vast amounts of personal and corporate secrets to theft, according to a computer-security company that discovered the breach.

The damage from the latest cyberattack is still being assessed, and affected companies are still being notified. But data compiled by **NetWitness**, the closely held firm that discovered the breaches, showed that hackers gained access to a wide array of data at 2,411 companies, from credit-card transactions to intellectual property.

The hacking operation, the latest of several major hacks that have raised alarms for companies and government officials, is still running and it isn't clear to what extent it has been contained, NetWitness said. Also unclear is the full amount of data stolen and how it was used. Two companies that were infiltrated, pharmaceutical giant **Merck** & Co. and **Cardinal Health** Inc., said they had isolated and contained the problem.

Starting in late 2008, hackers operating a command center in Germany got into corporate networks by enticing employees to click on contaminated Web sites, email attachments or ads purporting to clean up viruses, NetWitness found.

In more than 100 cases, the hackers gained access to corporate servers that store large quantities of business data, such as company files, databases and email.

They also broke into computers at 10 U.S. government agencies. In one case, they obtained the user name and password of a soldier's military email account, NetWitness found. A Pentagon spokesman said the military didn't comment on specific threats or intrusions.

At one company, the hackers gained access to a corporate server used for processing online credit-card payments. At others, stolen passwords provided access to computers used to store and swap proprietary corporate documents, presentations, contracts and even coming versions of software products, NetWitness said.

Data stolen from another U.S. company pointed to an employee's apparent involvement in criminal activities; authorities have been called in to investigate, NetWitness said. Criminal groups have used such information to extort sensitive information from employees in the past.

The spyware used in this attack allows hackers to control computers remotely, said Amit Yoran, chief executive of NetWitness. NetWitness engineer Alex Cox said he uncovered the scheme Jan. 26 while installing technology for a large corporation to hunt for cyberattacks.

That discovery points to the growing number of attacks in recent years that have drafted computers into cyber armies known as botnets—intrusions not blocked by standard antivirus software. Researchers estimate millions of computers are conscripted into these armies.

"It highlights the weaknesses in cyber security right now," said Adam Meyers, a senior engineer at government contractor SRA International Inc. who reviewed the NetWitness data. "If you're a Fortune 500 company or a government agency or a home DSL user, you could be successfully victimized."

Disclosure of the attack comes on the heels of Google Inc.'s allegation that it and more than 20 other companies were breached by Chinese hackers. This operation appears to be more far-reaching, infiltrating some 75,000 computers and touching 196 countries. The highest concentrations of infected computers are in Egypt, Mexico, Saudi Arabia, Turkey and the U.S.

NetWitness, based in Herndon, Va., said it was sharing information with the companies infected. Mr. Yoran declined to name them. The company provides computer security for U.S. government agencies and companies. Mr. Yoran is a former Air Force officer who also served as cyber security chief at the U.S. Department of Homeland Security.

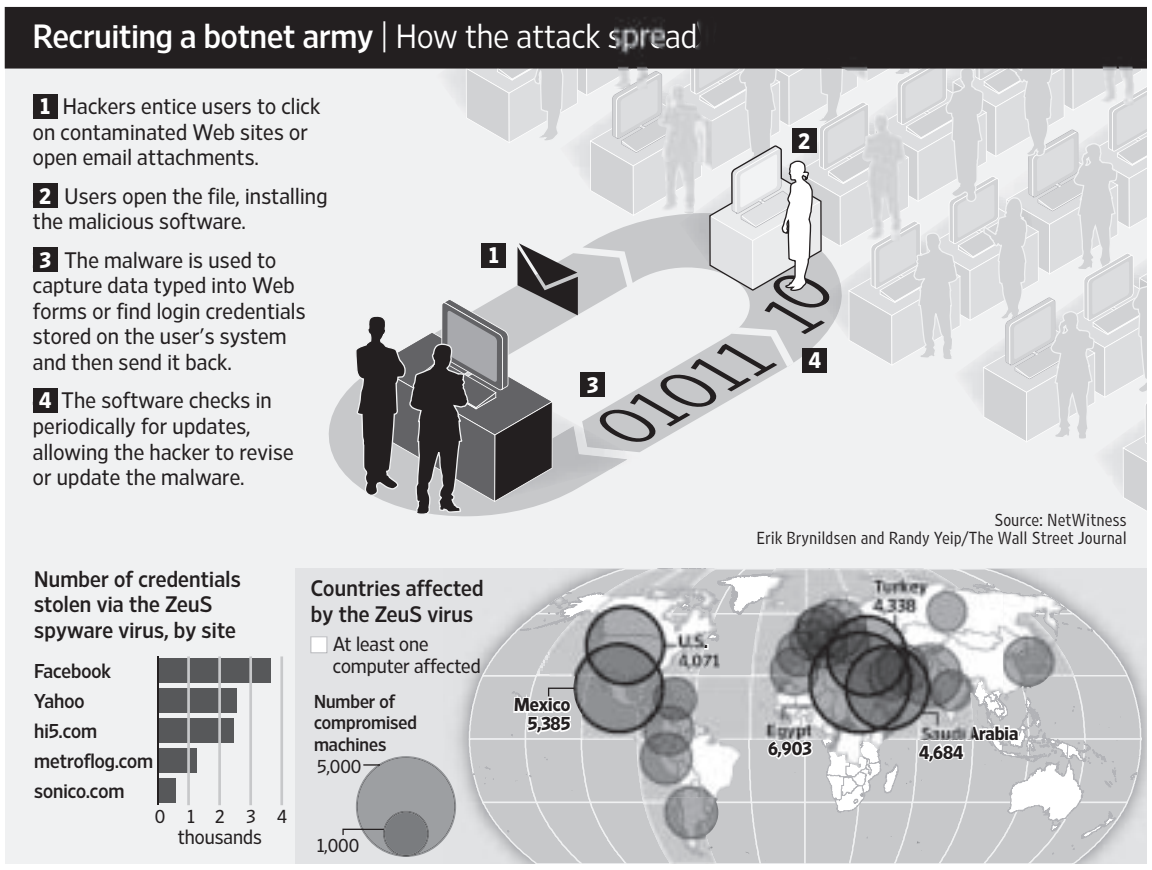
Besides Merck and Cardinal Health, people familiar with the attack named several other companies infiltrated, including **Paramount Pictures** and software company **Juniper Networks** Inc.

Merck said in a statement that one computer had been infected. It said it had isolated the attack and that "no sensitive information was compromised."

Cardinal said it removed the infected computer from its network. Paramount declined to comment. Juniper's security chief, Barry Greene, wouldn't speak about any specific incidents but said the company worked aggressively to counter infections.

NetWitness, which does extensive work for the U.S. government and private-sector clients, said it was sharing its information with the Federal Bureau of Investigation. The FBI said it received numerous allegations about potential compromises of network systems and responded promptly, in coordination with law-enforcement partners.

The computers were infected with spyware called ZeuS, which is available free on the Internet in its basic form.


Recruiting a botnet army | How the attack spread
1 Hackers entice users to click on contaminated Web sites or open email attachments.
2 Users open the file, installing the malicious software.
3 The malware is used to capture data typed into Web forms or find login credentials stored on the user's system and then send it back.
4 The software checks in periodically for updates, allowing the hacker to revise or update the malware.
01011 10
Source: NetWitness
Erik Brynildsen and Randy Yeip/The Wall Street Journal
Number of credentials stolen via the ZeuS spyware virus, by site
Facebook
Yahoo
hi5.com
metroflog.com
sonico.com
0 1 2 3 4
thousands
Countries affected by the ZeuS virus
At least one computer affected
Number of compromised machines
5,000
1,000
Turkey 4,338
U.S. 4,071
Mexico 5,385
Egypt 6,903
Saudi Arabia 4,684

China taps U.N. envoy as U.S. ambassador

Reuters

Zhang Yesui, who will be China's new ambassador in Washington, is shown at a January news conference at the U.N.

By Kathy Chen

WASHINGTON—Zhang Yesui, currently the head of China's United Nations mission, will become the country's new ambassador to the U.S., putting a non-U.S. specialist in the post amid rising bilateral tensions.

Mr. Zhang, 56 years old, will take over the position in mid-March, said people familiar with the situation, succeeding Ambassador Zhou Wenzhong, who spent much of his career focused on American affairs.

Mr. Zhang has spent much of his career dealing with international issues and isn't widely known in Washington. People who have dealt with him describe him as a sophisticated, nuanced diplomat who has effectively represented China's interests at the U.N.

"We don't agree on some issues, but he explains [China's positions] well," said Steve Orlins, president of the National Committee on U.S.-China Relations, a New York-based, non-partisan organization focused on promoting bilateral understanding.

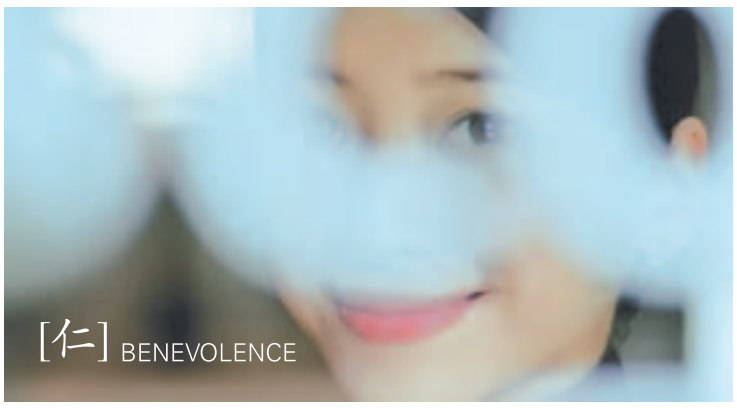
Mr. Zhang will take over as U.S.-China relations are tense over issues, from trade to the U.S.'s planned $6.4 billion arms sales to Taiwan to the value of the Chinese currency.

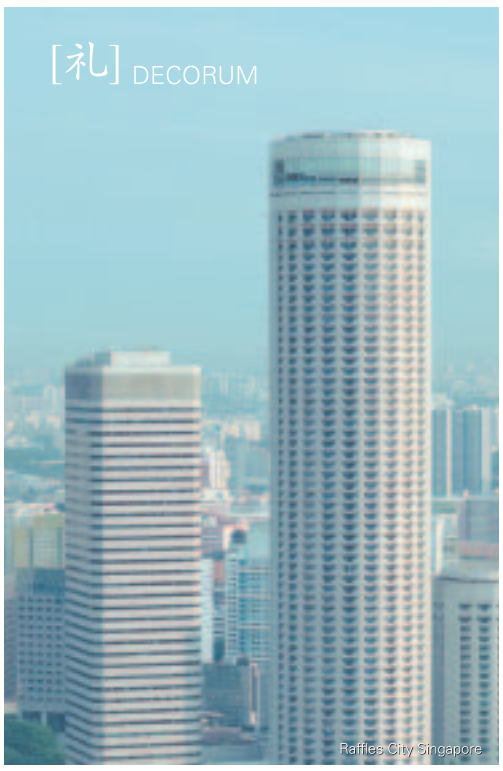
Mr. Zhang has some expertise in another area where the two countries have disagreed. He was in the middle of U.N. efforts to craft a response to Iran's nuclear program. China has pushed for a diplomatic solution, resisting U.S. efforts to implement sanctions.

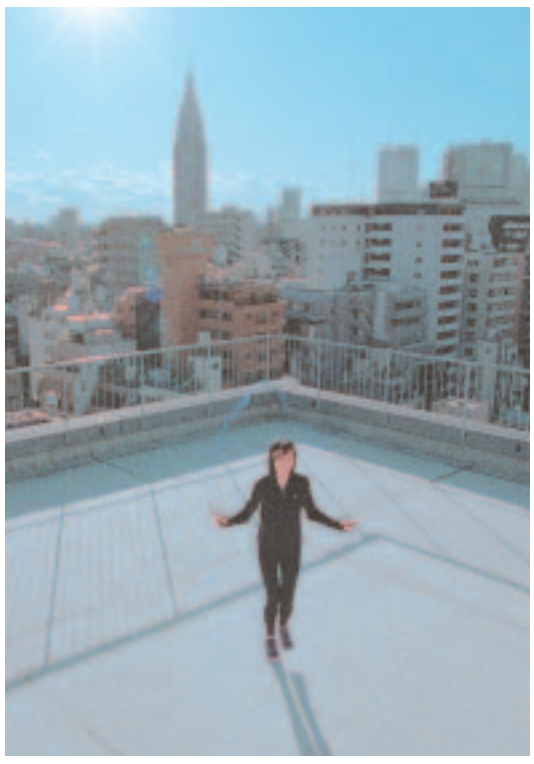
Myron Brilliant, senior vice president of international for the U.S. Chamber of Commerce, said he met with Mr. Zhang in New York about a month ago to discuss issues that he would likely confront in Washington.

"He's likeable, he's engaging and a quick study," Mr. Brilliant said. "But he comes at a very difficult time. You have a more muscular China policy and a U.S. government and business community that have to confront this."

Before his appointment to head China's U.N. mission in 2008, Mr. Zhang served as a vice minister for China's Ministry of Foreign Affairs in Beijing, where his portfolio included arms control and disarmament, as well as policy planning and oversight of Europe and North America.







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WORLD NEWS: EUROPE

Greek currency swap draws scrutiny

Athens describes 2001 transaction with Goldman Sachs as 'ordinary'; European agency seeks information

By Alkman Granitsas

ATHENS—A controversial currency swap undertaken by the Greek government in 2001 had no bearing on the country's eligibility for entry into Europe's common currency because Greece was already a member at the time, Greek officials said Wednesday.

"This was just an ordinary swap," said Yannos Papantoniou, Greece's minister of national economy and finance from 1994 to 2003. "It was simply to even out the servicing of our debt so as to avoid any jump in our debt burden as a result of currency movements."

Greek Finance Minister George Papaconstantinou defended the deal before parliament Wednesday, saying that the "transaction was completely legal and compliant with Eurostat"—the statistics agency for the 16-nation currency bloc.

Earlier in the week, Eurostat said it wasn't aware of the 2001 transaction, and asked Greece for more information about it by Friday. The concerns have been aggravated by financial-market worries over Greece's ability to finance a budget deficit estimated at 12.7% of gross domestic product in 2009.

In the past few days, the Greek government has come under pressure to explain the deal it struck in 2001 with investment bank **Goldman Sachs**. Shortly after the transaction was finalized, it was disclosed to the Greek parliament and noted in the 2001 Greek government budget. In 2003, Risk Magazine published a lengthy story outlining the transaction's details.

A report of the transaction was published this month in German magazine Der Spiegel, renewing concerns over Greece's fiscal bookkeeping. The news also prompted speculation that Athens may have used complex financial instruments to underreport its deficit and debt position, to ensure its entry into the currency bloc in January 2001.

The transaction has prompted criticism of Goldman Sachs by European politicians who accuse it of using Greece's debt troubles to its own advantage. Goldman, which originally hedged its exposure to the deal with a letter of credit, transferred the transaction to the National Bank of Greece in 2005, according to people familiar with the matter. NBG, in turn, transferred the swap to a special purpose vehicle in 2008 in a deal arranged by the bank, the people said. Goldman Sachs had no comment.

Bloomberg News

A demonstrator protests on Wednesday outside the Greek parliament building in Athens. The government's austerity plans, including freezing hiring as well as benefits for some civil servants, have sparked several strikes..

Current and former Greek government officials say the concerns are exaggerated. They point out that Greece was already in the euro zone when the transaction was conducted, and note that the country's application to join the currency bloc was based on 1999 statistics. Officials add that Greece hasn't engaged in similar transactions since 2001, and note that the deal wasn't big enough to have a significant impact on Greece's deficit.

According to people involved in the 2001 transaction, the deal between Greece and Goldman Sachs involved exchanging more than €10 billion ($13.61 billion) in dollar- and yen-denominated Greek government bonds into euros, with a stream of interest payments extending to 2019. A subsequent Greek government extended payments to 2037, these people said.

The controversy around the deal stems from the exchange rate used for the transactions. By using a historical exchange rate that didn't accurately denote the market value of the euro, Goldman effectively advanced Greece a €2.8 billion loan. Under EU accounting rules—which were tightened in 2008—Greece wasn't obliged to include the loan in overall public debt on its books.

On Feb. 1, a special Greek government panel set up to examine the country's recurrent problems with its public data warned that such swap transactions could inflate the country's future debt burden and warned against their further use. According to the Greek government, Greece's public debt as of Oct. 21, 2009, was €272.3 billion, equal to about 113.4% of GDP.

"As far as the debt is concerned, the numbers are accurate. The only swap that might have an impact on the debt is this forex swap, which might have been done behind the scenes at an artificial exchange rate," said Gikas Hardouvelis, an economist who participated in the drafting of the report. "That is the only transaction where there is some doubt."

However, government officials familiar with the deal said the exchange rate selected for the transaction was determined by the very low level of the euro at the time—the currency was then trading at around 85 U.S. cents—and with the market expecting that value to rise.

"These were not fabricated exchange rates, these were historical exchange rates which we chose for the deal and which were permitted under EU rules at the time," said Christoforos Sardelis, the head of Greece's debt management agency from 1999 to 2004.

Separately, a person familiar with the situation said Thursday that Greece may issue a 10-year bond next week and hopes to raise around €5 billion.

The government is "looking into it. It could be as early as next week but there is no firm decision yet on the timing," the person said.

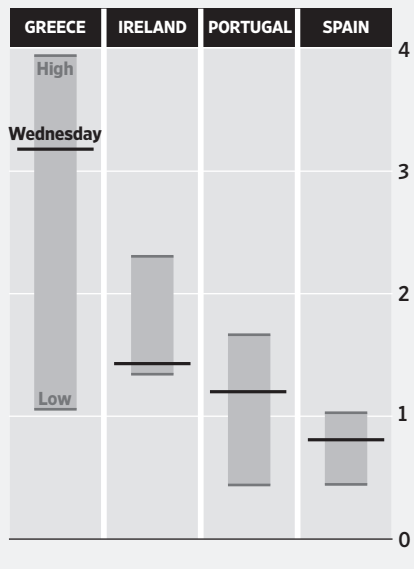
The issuance would be in line with comments by Spyros Papanikolaou, head of Greece's Public Debt Management Agency, who said in January that Athens was planning a 10-year bond in February. "There will be another syndication, most likely 10 years. We will go for €3 billion to €5 billion and depending on the market reaction it could be more, although a 10-year bond is a bit more difficult," Mr. Papanikolaou said at the time.

—Susanne Craig and Costas Paris contributed to this article.

Risks and rewards

The rising risk premium on Greek debt—reflected in the widening spread between its bond yields and those of Germany—has heightened the perception of risk in countries such as Portugal and Spain. In Ireland, however, recent austerity measures have reassured investors.

High, low and Wednesday spreads over German 10-year bonds since June 30; in percentage points:



Source: Thomson Reuters

Amid criticism, investors unwind some default bets

By Gregory Zuckerman And Kate Kelly

Some hedge funds have started to adjust their investment strategies as European officials voice harsher criticism of investors who have used exotic investments to bet against the debt of countries such as Greece, traders said.

Elected leaders in France and Germany have highlighted what they view as a potentially destabilizing but largely hidden influence of banks, hedge funds and other investors in the markets for Greek sovereign bonds.

The officials have taken the strongest aim at the use of credit-default swaps, insurance-like contracts that pay out when an issuer defaults, and rise in value as credit conditions deteriorate. One recent report in Spain's El Pais newspaper said the country's intelligence service is investigating "speculation" in Europe's markets.

Some players whose strategy was to purchase credit-default swaps that would pay out in the event of a Greek default got spooked last week by talk that European officials might try to make such swap trades illegal in the future. Though investment strategies are constantly in flux, given the potential precariousness of that market, some hedge funds began shifting toward a more currency-driven strategy, say people familiar with the matter.

On Wednesday, the euro dropped sharply against the dollar, indicating that bearishness toward the European currency might be mounting.

The scrutiny is such that some investors wagering against Greece are becoming tight-lipped, sharing few details about how their trades are faring. Other investors have avoided making any of these trades, citing worry about a potential backlash from politicians and others.

"You can add to the pressure by making these trades, and that made us uncomfortable. We've worried about public and government criticism," says Avi Tiomkin, chief investment officer of **Tigris Financial Group**, a $2 billion New York investment firm that has been concerned about the euro's health for more than two years. Instead of buying credit-default swaps to bet against specific countries such as Greece, Tigris has been betting against the euro and buying gold, he says,

Some participants say they left the credit-default swaps market after talk that European officials might try to make such trades illegal in the future.

trades that could do well if debt woes grow for Greece and others.

One sign of strength emerged Wednesday, after Spain's treasury completed the sale of €5 billion ($6.8 billion) of 15-year bonds. The treasury offered a hefty premium, but received offers to buy more than €13 billion of the new bonds.

Spanish officials are quick to reject comparisons with Greece, where deep fiscal problems are compounded by a history of dubious budget accounting. "As markets see that our diagnosis of the situation is correct and that the measures we are taking are adequate, this offers reassurance," said Deputy Finance Minister Jose Manuel Campa.

Some of the longtime bears say they have trimmed some CDS holdings to cash in profits as they moved on to buy CDS protection on the debt of the United Kingdom, Japan and other nations that haven't been the focus of recent concerns.

They have also concentrated their focus on the euro. A wide swath of fund managers and Wall Street traders agree that the euro is likely to fall against the dollar this year. If Greece and other Southern European countries default on their debts, they argue, the perceived weakness in the euro-zone economy will cause the currency to fall. Similarly, moves by European Union officials to bail out a teetering economy such as Greece's could also weaken the common currency.

Operating under the theory that the U.S. is likely to recover from its financial woes faster than Europe will, the large asset-management firm **BlackRock** Inc. began shorting the euro late last year, according to someone familiar with the matter. At that time, the euro was trading at close to $1.50, which seemed too high to last, this person says.

Other funds that have made recent bets against the euro include the large New York hedge-fund managers **Paulson** & Co. and **Moore Capital Management** LP, say other people familiar with the matter. The two firms declined to comment Wednesday.

—Gabriele Parussini and Jonathan House contributed to this article.

WORLD NEWS

Pakistan arrests two Taliban leaders

Pair of the militant group's 'shadow governors' of Afghan provinces detained, as Islamabad, U.S. step up pressure

By Matthew Rosenberg

KABUL—Pakistani authorities arrested a pair of senior Taliban leaders and several senior militants, Afghan and Pakistani officials said Thursday, as Pakistani and American intelligence agents step up the pressure on the militants' leadership.

The officials said the men arrested were the Taliban's so-called shadow governors of two northern Afghan provinces where militant attacks have increased in the past year. Mullah Mir Mohammed ran Baghlan province for the Taliban. Mullah Abdul Salam was the shadow governor. or top Taliban representative, of Kunduz province, said Mohammad Omar, the actual governor of Kunduz.

The arrests follow this month's capture of the Taliban's effective No. 2, Mullah Abdul Ghani Baradar, the highest-ranking Taliban member captured since 2001. Mullah Baradar was arrested in the Arabian Sea port of Karachi in an operation led by Pakistan's Inter-Services Intelligence agency and aided by the U.S.'s Central Intelligence Agency.

Along with Mullah Baradar, another Taliban commander and two Pakistani militants—identified as Akhwanzada Popalzai, Ameer Muawiya, and Hamza—were also picked up, a Pakistani official said Thursday, the first time the arrests have been disclosed.

The arrests illustrate how the Afghan Taliban has used Pakistan as an auxiliary base, something American officials have contended for years but that authorities in Islamabad have dismissed as a "myth."

That Pakistani officials took part in the arrests raised the prospect that Pakistan—often a wary U.S. ally in the war on terror—is finally beginning to agree with American arguments that the Taliban represent as much a threat to the South Asian nation as they do to U.S. and North Atlantic Treaty Organization forces in neighboring Afghanistan.

In Afghanistan, meanwhile, senior coalition commanders say in recent months they have killed or captured at least six midlevel Taliban field commanders, captured the shadow governor of central Laghman province, and forced one of the militants' top field commanders, a man known as Mullah Zakir, to flee to Pakistan.

The arrests and killings won't end the Afghan insurgency, which still controls swaths of Afghanistan and has spawned a twin uprising in the mountains of northwestern Pakistan. But they represent a major blow to the Taliban, who have been under pressure in recent months and are slowly seeing their battlefield momentum eroded by coalition forces in Afghanistan.

The arrests follow the capture of the Taliban's effective No. 2, Mullah Abdul Ghani Baradar.

Mr. Omar, the Kunduz governor, said the two shadow governors were arrested in Quetta, the southwestern Pakistani city where the Taliban's leadership council, known as the Quetta Shura, is said to be based.

But another Kunduz official, police chief Gen. Razaq Yaqoobi, said they had been detained in Peshawar, the northwestern Pakistani city that serves as a gateway to the country's Taliban-dominated tribal areas.

"Both of them were close aides to Mullah Baradar," Mr. Omar said in a telephone interview.

Pakistani and U.S. officials didn't comment publicly on the arrests, although an American official in the region confirmed that both men had been picked up. Mr. Omar said the men were arrested 12 days ago—about the time that Mullah Baradar is said to have been captured.

The three men and the other individual arrested with Mullah Baradar are being held by the Pakistanis, who are interrogating them with U.S. agents, the U.S. official said. Previously, officials have said that Mullah Baradar is talking.

The U.S. official wouldn't say if the arrests were related or made possible by intelligence gleaned from one or more of the militants.

Shadow governors are the top Taliban representatives in Afghanistan's provinces. Their role is meant to replicate that of political and sometimes military leaders, giving the Taliban a claim to represent a viable alternative to the Western-backed government of President Hamid Karzai. In places were the Taliban is dominant, the militants have at times set up the infrastructure of a real government.

Why Pakistan has suddenly begun to pursue Taliban leaders taking refuge in the country remains unclear, even to the U.S. officials who work most closely with Pakistani military chief Gen. Ashfaq Kayani, and the head of its spy agency, Gen. Ahmed Shuja Pasha.

For years, U.S. officials accused the military and ISI of helping the Taliban in hopes of using the group as a hedge to limit the influence of archrival India in Afghanistan after an eventual American withdrawal.

But Washington has made clear to Pakistan that the U.S. will be in the region for the long haul—and also produced intelligence linking elements of the ISI to the Taliban.

—Habib Zahori in Kabul, Zahid Hussain in Islamabad and Rehmat Mehsud in Peshawar, Pakistan, contributed to this article.

New phase in Marjah bid

Afghan and coalition officials are moving toward what they say is the most important phase of the operation to secure the town of Marjah: delivering a new administration and millions of dollars in aid to a place where government employees didn't dare set foot a week ago.

*By **Matthew Rosenberg** in **Kabul** and **Michael M. Phillips** in **Marjah, Afghanistan***

A contingent of Afghan Civil Order Police deployed to the southern Afghanistan town Wednesday, the first wave of civilian authorities the government has pledged to dispatch when security allows. The policemen joined U.S. and Afghan troops manning checkpoints around central Marjah.

U.S. Gen. Stanley McChrystal's strategy for reversing the tide of the war calls for pouring troops into militant-held areas and then staying while the government is rebuilt and confidence in it is restored.

In Marjah, the first test of that strategy, the military offensive that began Saturday is making progress in driving the Taliban from the town.

Success in the second phase is uncertain. The Taliban was able to easily take Marjah more than two years ago because the government's authority there was weak, and its officials were seen as corrupt and predatory.

Despite this week's military gains by Afghan, U.S. and British forces, the town remains dangerous. Troops have gradually expanded the sections of Marjah they control but Taliban fighters on Wednesday staged frequent ambushes to try to slow their advance. The coalition said two soldiers have been killed by small-arms fire in the past two days as part of the operation.

The insurgents also seed the ground with homemade explosives. One Marine convoy took more than seven hours to travel just six kilometers from one base to another Wednesday, finding and destroying four bombs hidden along the way.

Reuters

U.S. Marines talk to two civilians who lost relatives in the Helmand operation.

A senior Afghan leader, Helmand provincial Gov. Gulab Mangal, paid a visit to the Marjah battlefront Wednesday, a symbol both of the government's promise to bring peace and prosperity and of how much fighting remains before the promise can be fulfilled.

He spent less than an hour visiting a Marine combat outpost and a heavily damaged marketplace, and, having arrived with the new police forces, left in a convoy of eight armored vehicles.

The counterinsurgency strategy's next phase is still set to begin in the coming days, when the new top administrator of the town, subdistrict Gov. Haji Zahir, is put in place along with a team of four American "mentors" who work for the U.S. State Department and the U.S. Agency for International Development, said Frank J. Ruggiero, the senior U.S. civilian representative in southern Afghanistan.

The coalition's plans have won the backing of Afghan officials such as Gov. Mangal, who have at least publicly been treated as equal partners in the Marjah operation.

The international development community, however, has remained aloof, wary of being seen as an extension of the military. The U.N. said Wednesday it won't take part in Marjah's reconstruction, criticizing what it called the "militarization of aid."

The distribution of aid by the military "gives a very wrong signal to communities about the impartiality of this assistance and puts the lives of humanitarian workers at risk if they are in any way associated with the military," said Robert Watkins, the deputy special representative of the U.N. secretary-general, at a news conference in Kabul.

Coalition military commanders and civilian officials say they are aware of the concerns but would prefer to work with the U.N. and independent aid groups. But they also say they don't have much choice but to use the military to set the stage for aid.

"You can't advance human rights, poverty eradication or anything like that in an unstable area with a civil conflict," said Mark Sedwill, the new senior civilian representative of the North Atlantic Treaty Organization in Afghanistan, Wednesday before the U.N. said it wouldn't aid the Marjah effort. "You've got to try to bring the conflict to the end before you really start making progress on classic development goals."

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WORLD NEWS

Tiger Woods to break silence

Tiger Woods, famous for his ability to overcome mistakes and obstacles on the golf course, began what is likely to be his most difficult comeback attempt yet—announcing plans to issue a public statement on Friday in which he will apologize for unspecified past behavior and discuss his plans for the future.

*By **Darren Everson**, **Timothy J. Carroll** And **Emily Steel***

The whereabouts and activities of Mr. Woods, the dominant player of his generation with 14 professional major titles, have been a mystery since the day after last Thanksgiving, when he was injured after crashing his Cadillac Escalade into a fire hydrant and a tree just outside his home in an exclusive Florida community at 2:25 a.m.

The golfer was briefly unconscious in the street, according to police, and suffered cuts and bruises. His wife, Elin, was said to have broken the back and side windows of the car with a golf club to help him out of the car.

In the days and weeks that followed, allegations of marital infidelities by Mr. Woods and strife between the golfer and his Swedish former model wife tumbled into public view. At least a dozen women claimed or were reported to have had affairs with Mr. Woods. On Dec. 11, Mr. Woods posted a statement on his Web site saying, "I have let my family down" and that he was taking a leave of absence from professional golf. Mr. Woods and his wife are believed to have been living separately in the past three months, but spokesmen for the couple have declined to comment.

On Wednesday, Mark Steinberg, Mr. Woods's agent, said in a statement that Mr. Woods will break his silence at 11 a.m. Friday in Ponte Vedra Beach, Fla., at the Tournament Players Club at Sawgrass golf course, where the PGA Tour has its headquarters. Mr. Steinberg declined to comment further.

Ty Votaw, the PGA Tour's chief spokesman, said the Tour was approached within the "past week or so" and asked to provide a venue for Mr. Woods's statement and to assist with logistics on Friday. The Tour declined to comment on what would happen Friday, "because we don't know what he's going to say," Mr. Votaw said.

Associated Press

Tiger Woods goes for a jog Wednesday near his home in Florida.

It remained unclear late Wednesday when Mr. Woods planned to return to golf. PGA Tour rules require players to commit to a tournament by 5 p.m. on Friday of the week before an event. While Mr. Woods could on Friday commit to next week's event—what is now known as the Waste Management Phoenix Open—it would be highly unlikely.

The event was the site of one of the highlights of "Tigermania," when in 1997 Mr. Woods made a hole in one at the 16th hole, which has been promoted over the years as the loudest hole in golf. Increasingly large grandstands have been erected over the years to pack in more fans. That year, shortly before his historic victory at the Masters, fans—and Mr. Woods—erupted when his tee shot found the bottom of the cup.

But in 1999, a fan with a gun in a backpack was heckling Mr. Woods. The fan was escorted off the course. Mr. Woods has played the Phoenix event just once since then.

More likely for Mr. Woods's return would be a made-for-TV event called the Tavistock Cup. The two-day event is played in March and is very tightly controlled—both fans and media are restricted. The event also is played in Mr. Woods's gated community, meaning he could walk to the first tee.

He also could wait to play until the year's first major, the Masters on April 8, where decorum is stressed and fans are fearful of a golf etiquette breach that would result in their passes being revoked.

Whenever or however Mr. Woods returns to golf, he faces a daunting task to restore a once-pristine image and his multi-million-dollar endorsement business. Matt Fleming, senior account manager for Davie-Brown, an Omnicom Group company that tracks the appeal of celebrities using online polls of U.S. consumers, said that before the scandal, Mr. Woods was ranked as the ninth most aspirational celebrity out of the 2,449 celebrities who are in the firm's database. In the most recent ranking, Mr. Woods's position fell to number 2,411.

Global consulting firm **Accenture** PLC and **AT&T** Inc. severed their ties with the golf superstar in December and January, respectively. AT&T declined to comment on news of Mr. Woods's coming statement. Several other sponsors, including **Procter & Gamble** Co.'s Gillette and watch maker Tag Heuer, a unit of **LVMH Moet Hennessy Louis Vuitton** SA, distanced themselves from the golfer by limiting his role in their marketing campaigns.

Mr. Woods was able to hold on to some of his sponsorship deals. **Nike** Inc., sports-memorabilia retailer **Upper Deck** Co. and **PepsiCo** Inc.'s Gatorade sports drink all said their relationships with the golfer were unchanged. Upper Deck declined to comment Wednesday.

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Fed shows more confidence

Minutes from January policy meeting show planning for reversal of emergency measures

By Jon Hilsenrath

U.S. Federal Reserve officials, their eyes on a recovery that is gradually becoming more entrenched, are intensifying planning for a reversal of emergency policies put in place during the global financial crisis.

Minutes of their January policy meeting, released Wednesday after the usual lag, showed officials agreed that the most likely next move will be an increase in an interest rate the Fed charges on emergency loans to banks, the discount rate, now at 0.5%.

Officials have emphasized that the point of such a move wouldn't be to tighten credit broadly across the economy but to re-establish a penalty against banks that come to the Fed for emergency loans. Before the global financial crisis, the discount rate was a full percentage point higher than the widely followed federal-funds rate, which is the rate banks charge each other for overnight loans.

The Fed made the penalty smaller during the crisis to help banks in need, but Fed staff recommended gradually increasing it. The first step would be to put the discount rate at 0.75%.

Officials are still debating many other moves, including when to begin tightening credit more broadly and how to reduce, over time, their $1.25 trillion portfolio of mortgage-backed securities.

The minutes also included updated forecasts by Fed officials that show them anticipating inflation-adjusted growth of between 2.8% and 3.5% in 2010 and 4% growth in 2011 and 2012. They expect inflation to remain subdued and the unemployment rate, now at 9.7%, to barely move for the rest of the year, then to drop to around 8.5% in late 2011 and to a range between 6.6% and 7.5% in 2012.

As the economy slowly improves, a debate is taking shape inside the Fed on when to signal that the federal-funds rate and other short-term lending rates, now near zero, will start moving up.

Officials have said rates will stay low for an "extended period," meaning at least several more months. Altering those words, a move that Thomas Hoenig, president of the Federal Reserve Bank of Kansas City wanted to make at the January meeting, would be read as a sign that rate increases are coming soon.

Officials have said three conditions warrant keeping the "extended period" language in place: The economy is burdened by slack; market expectations for future inflation are stable; and current inflation is subdued. The January meeting's minutes point to disagreement over two of those conditions—inflation expectations and the amount of slack in the economy.

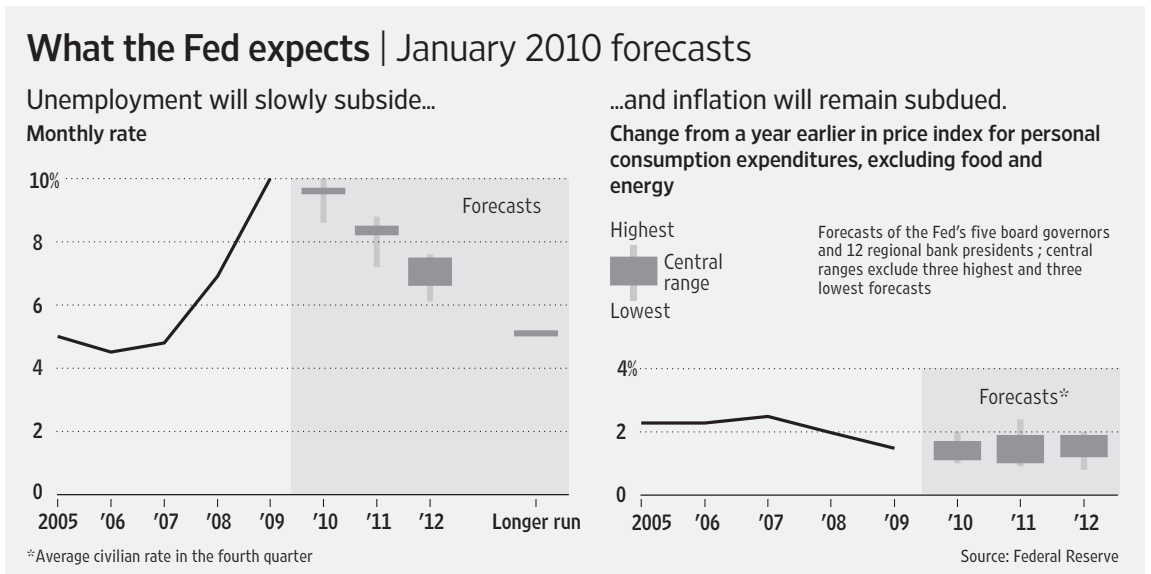
While surveys of household inflation expectations were stable, the Fed noted, some market-based measures of inflation expectations "suggested continuing concern among market participants about the risk of higher medium-term inflation," the minutes noted. Trading in Treasury Inflation Protected Securities show expectations for longer-term inflation have shifted from less than 2.5% last year to more than 3%.

The minutes also reflect continuing debate about how much slack there is in the economy. Some officials argued that the government's extension of federal unemployment benefits might be keeping jobless workers in the labor force, thus boosting the official unemployment rate.

In this view, there isn't as much slack in the economy as it appears.

In another debate, the minutes showed several Fed officials wanted to begin selling mortgage securities "in the near future," a move Fed Chairman Ben Bernanke has signaled he doesn't want to make quickly.

The purchases helped to drive down mortgage rates and spur a housing recovery, but several officials fear they have pushed the Fed too deeply into private, politically sensitive markets and left it with holdings that will complicate the task of raising interest rates when needed. The Fed has said it plans to complete mortgage purchases by the end of March.



Producer prices increase 1.4% on energy costs

By Luca Di Leo
And Sarah N. Lynch

WASHINGTON—U.S. inflation at the wholesale level rose more than expected in January on the back of higher energy costs, but price increases in other sectors of the economy remained contained.

The producer-price index for finished goods rose a seasonally adjusted 1.4% in January as gasoline prices jumped by 11.5%, the Labor Department said Thursday. The December increase was revised to 0.4% from a previously estimated 0.2%.

The core PPI, which excludes volatile energy and food prices, rose 0.3% last month after remaining flat in December.

Wall Street economists polled by Dow Jones Newswires expected wholesale prices to rise 0.9% in January. Core producer prices were seen rising 0.1%. Outside of volatile energy and food prices, there have been few signs that inflation is heating up, giving the U.S. Federal Reserve continued reason to keep short-term interest rates near zero to help the recovery.

Food prices in January rose 0.4% on the back of higher meat prices, but that was a moderation from the 1.3% monthly rise in December.

In a separate report, the number of U.S. workers filing new claims for jobless benefits jumped by 31,000 to 473,000 in the week ended Feb. 13, the Labor Department said. The previous week's level was revised upward to 442,000 from 440,000.

Also Thursday, the Conference Board said the index of leading economic indicators increased 0.3% last month, after increasing a revised 1.2% in December.

—Kathleen Madigan contributed to this article.

Lessons from the U.S.'s growth lead over Europe

[Capital Journal]

By Gerald F. Seib

Amid the cacophonous economic debate echoing in Washington, what's most striking are two numbers: 5.7% and 0.4%.

Those are the economic-growth rates in the latest quarter for the U.S. and Europe, respectively. The difference is so strikingly in America's favor that it warrants a little more attention, both because of what it says about the current state of affairs and for the lessons it might offer policy makers.

The gap between American and European growth can be attributed partly to economic cycles and partly to some artificial expansion in that big U.S. growth figure for the last quarter of 2009. But the disparity also suggests that, amid all the scrambling and stumbling, at least a few things were done right in the American response to the economic crisis of the past two years, and a few things less right in Europe.

Such questions haven't been parsed much in this week's economic debate in Washington, which has been simple, if not simplistic. This week marked the first anniversary of President Barack Obama signing the $787 billion economic-stimulus package, a milestone that set off a shouting match between the White House and Republicans over what the stimulus has accomplished.

That question won't be settled this week, or by November's elections. But it's safe to assume that the stimulus package hasn't been as useful as the White House claims, or as useless as Republicans assert.

More intriguing is the question of how the whole combination of forces the U.S. brought to bear is working out, and why the picture looks so different right now on the other side of the Atlantic.

Last April, Mr. Obama went to Britain for a summit of leading economic nations, amid much skepticism among European leaders about the value of economic-stimulus measures, doubts about the wisdom of the bank "stress test" the U.S. was planning, and a degree of confidence that Europe's regulatory system was better at preventing and controlling problems.

Now, the picture looks scarier in Europe than in the U.S., as banking problems merge with national debt troubles.

Then there is that lagging European economic growth. Part of the trans-Atlantic growth disparity can be attributed to a bit of fluff in the latest U.S. numbers. Fourth-quarter growth here was pumped up in part because businesses were rebuilding inventory. That may have been a temporary jolt. And, as disappointing new figures on jobless claims released Thursday suggested, growth hasn't yet translated into a surge in hiring.

Beyond that, some of the disparity can be attributed to differences in economic cycles. The U.S. went into decline earlier and may simply be pulling itself out earlier. "We're ahead of them in the cycle," says Michael Mussa, a former economic counselor at the International Monetary Fund who's now with the Peterson Institute for International Economics.

But timing doesn't explain everything. Different economic structures and policy decisions also play a role. For starters, America's Federal Reserve has been more aggressive than its European counterpart in lowering interest rates and opening the monetary spigots, and that is helping. "Our policy has done more, and sooner, in that direction than Europe has been able to do, or in some cases, wanted to do," says Mr. Mussa.

In addition, though the U.S. hasn't succeeded yet in legislating a full change in its financial-regulatory system, regulators' moves in that direction have helped to prod banks to clean up their balance sheets, reduce their leverage and shore up their capital. Current data show that American banks have written down bad assets and raised new capital faster than their European counterparts, and have reduced their leverage further.

As that suggests, one oft-maligned American move—the Treasury Department's "stress test" of big banks to see which ones could and couldn't handle more economic pressure—actually did its job. It compelled shaky banks to shore up their capital and reassured financial markets that others were in decent shape. As a result, financing is at least starting to move more normally through the U.S. banking system.

And, yes, that stimulus package has added some to economic growth. Perhaps best of all going forward, one of the complaints voiced a year ago by critics of the stimulus—that its big infrastructure projects would take so long to roll out that they wouldn't be of much immediate help on the jobs front—has proved correct. That means there's actually more in the pipeline to be spent this year than was rolled out last year.

Europe, meantime, is struggling with the shortcomings built into its efforts to create a unified economic zone across many nations. It finds it more difficult politically to move quickly on monetary policy, and far more difficult to coordinate spending and regulatory systems.

So now the U.S. manufacturing picture is brightening, and even its troubled car companies are doing better than their European counterparts. That hardly means the U.S. is out of the woods, or that Europe won't find its way out, or that America's debt woes won't return to haunt it. It does suggest policy makers on both sides might make some notes and stuff them into their playbooks for next time.

The WellPoint Mugging

Democrats and their media allies have found a new insurance piñata: WellPoint and its recent health-premium price increases in California. This spat deserves more attention, because its real lesson is what will happen to health insurance costs around the country if ObamaCare *passes*.

WellPoint's California unit, Anthem Blue Cross, recently informed nearly 700,000 individual insurance customers of premium increases of up to 39%. President Obama jumped on the announcement, claiming in a pre-Superbowl TV interview that the hikes were a "portrait of the future if we don't do something now."

Health and Human Services Secretary Kathleen Sebelius quickly piled on by ordering a federal inquiry, claiming a company that made "$2.7 billion in the last quarter of 2009" could not "justify massive increases." Senate Majority Leader Harry Reid ripped WellPoint and other "greedy insurance companies that care more about profits than people." And right on cue, House baron Henry Waxman scheduled a hearing, where he will not blow kisses.

He ought to subpoena California's political class because WellPoint's rate hikes are the direct result of the Golden State's insurance regulations—the kind that Democrats want to impose on all 50 states. Under federal Cobra rules, the unemployed are allowed to keep their job-related health benefits for 18 to 36 months. California then goes further and bars Anthem from dropping these customers even after they have exhausted Cobra. California also caps what Anthem can charge these post-Cobra customers.

> The brawl over rate increases is a preview of ObamaCare.

Most other states direct these customers to high-risk pools that are partly subsidized, but California requires the individual market to absorb the customers and their costs. Even as California insurers have had to keep insuring these typically older and sicker patients, the recession has driven many younger, healthier policy holders to drop their insurance—leaving fewer customers to fund a more expensive insurance pool.

This explains why Anthem lost $58 million in California on its post-Cobra customers in 2009. If WellPoint didn't raise premiums amid these losses, it would soon be under assault from its shareholders, if not out of business.

This episode is a preview of the adverse selection that would happen nationwide if ObamaCare passes. The Democratic bills would control what insurers could charge and force them to take all comers, regardless of health status. These burdens were supposed to be made tolerable by requiring all Americans to buy insurance or face a penalty. Yet when this "individual mandate" proved to be unpopular, Congress watered it down so that younger customers would be able to pay the penalty knowing they can wait until they're sick to pay the more expensive premiums. The only way an insurer can make up for these higher costs is to raise premiums.

This is precisely what WellPoint predicted would happen when it released a detailed actuarial study in October showing that insurance costs would soar for millions of Americans under ObamaCare. The White House hasn't forgotten that study, or forgiven WellPoint for releasing it, which may explain the force of its current attacks.

As for WellPoint's profits, $2.2 billion of WellPoint's $2.7 billion fourth-quarter earnings came from the one-time sale of a subsidiary. After one-time items, WellPoint earned $2.92 billion last year, compared with $2.86 billion a year earlier. Anthem's profit margins are in line with its two largest nonprofit competitors in the state; its net income on a per-member-per-month basis in 2008 was $12.62, compared to Blue Shield's $13.22 and Kaiser's $18.45.

Anthem last year hired an independent actuarial firm that found its rates sound and necessary. The company presented its findings to California insurance commissioner Steve Poizner last November, who had a month to review the proposed increases and never objected. But recently amid the White House campaign, Mr. Poizner has joined the chorus claiming to be "skeptical" of the increases and demanding that Anthem postpone them while he conducts a review. Anthem has done so.

Mr. Poizner is a Republican running for governor, which proves that healthcare political opportunism can be bipartisan.

Faith and Punishment in Malaysia

When you think of caning women for adultery, the first places that come to mind are probably Saudi Arabia or Pakistan. But add to that list Malaysia, a country usually known for its diversity and religious tolerance.

On Feb. 9 three women and four men were caned for extramarital sex, a crime under Shariah law. This surely isn't the first time unmarried couples in Malaysia have had sex. But it is the first time a Malaysian woman has ever been caned for doing so—or for any offense, for that matter.

The case is worrying because it speaks to the trend of Malaysia's increasingly assertive Shariah courts, under which these cases were tried. Federal law forbids the caning of women and the caning of men over 50. But several states have local laws on the books that permit caning punishments for women, and in recent months Shariah courts have not been afraid to use them. In August, a Shariah court handed a caning sentence to a Muslim woman for drinking beer, though her sentence has yet to be carried out because of public outcry over the punishment.

Home Minister Hishammuddin Hussein, who announced the canings on Wednesday, said that those punished had been "advised on ways to repent and to get closer to Allah." The three women "hope other women would refrain from doing things which are against Islam," he said.

But this deeply patronizing view of Malaysian men and women is out of sync with the nation that aspires to be tolerant, diverse and modern. It's true that some Malaysians advocate Shariah law—and that's their choice. But because ethnic Malays are Muslim by law and thus accountable to religious courts, the Shariah system fetters all ethnic Malays regardless of their personal faith.

In recent months Malaysia has been riven by disputes of the use of the word "Allah" by Christians—an argument that left 11 churches and two mosques vandalized. As religious tensions rise, leading politicians seem increasingly unwilling to speak out against strict interpretations of Islam. But their fear jeopardizes the very tolerance that has made Malaysia great, and last weeks' canings illustrates all too clearly the eventual results to which this will lead.

Why Africa Is Poor

President Obama headlined his first trip to sub-Saharan Africa last July with a stop in Ghana. Speaking to the parliament in Accra, Mr. Obama praised the country's growth and its example that "development depends on good governance." Eight months later, Ghana's government is turning the nation into a cautionary tale for foreign investors.

Exhibit A is the case of Kosmos Energy, a U.S. company based in Texas, which has lately seen capricious government meddling in a deal to sell a $4 billion stake in a Ghanaian oil field to ExxonMobil Corp. Ghanaian Energy Minister Joe Oteng-Adjei suggested in a letter to Exxon reviewed by Journal reporter Will Connors that the government would "support the strategic intent and efforts of [Ghana National Petroleum] to acquire Kosmos's Ghana assets at a fair market value."

By "fair market value," Mr. Oteng-Adjei means fire-sale prices. While the government insisted later that it would not block the Exxon deal, which is still in place, the desired affect was achieved. The strategy lets the government disavow its intention to directly intervene in deals while potentially scaring away potential buyers and making it possible for the government to buy the oil fields cheaply, possibly reselling them to a third party.

> Ghana beats up on its biggest foreign investors.

That's the kind of official thuggery more frequently associated with the likes of Nigeria, where the vast oil and gas resources have driven corruption and exploitation while the people continue to live in poverty. Until Kosmos's investment uncovered the Jubilee oil field in 2007, there had been little success in exploration in Ghana.

When Kosmos began its project under the then-ruling New Patriotic Party, the business environment seemed relatively stable with adequate protections for foreign investors. Under Ghana law, consent for a deal such as the one between Kosmos and Exxon can't be unreasonably withheld, delayed or denied. Such contract protection began to dissolve in January 2009, with the election of the leftist National Democratic Congress.

Other foreign investors are also getting the Kosmos treatment. In 2008 Vodaphone, the British mobile phone company, bought a 70% stake in Ghana Telecom. At the time, the company issued a statement that it was "delighted" to be "working in partnership with the Government of Ghana." By April 2009, the deal was on the rocks, as Ghana's government set up a "review committee" to question the details. Earlier this month, Ghana Vice President John Dramani Mahama insisted that the government wasn't planning to break the deal despite "concerns."

After getting a license for offshore exploration in November 2008, the Norwegian oil company Aker was told this year that its development license was invalid, though the agreement had been unanimously approved by Ghana's parliament. Aker investment manager Maria Moraeus Hanssen said the government position had "no basis in law or fact."

Attracting foreign investment has been a pillar of Ghana's development strategy, with the government pitching itself as the "Gateway to West Africa." Spooking new investors by repudiating contracts will rapidly ruin the country's prospects for long-term development.

The Obama Administration has so far been silent on the shadows now haunting the country it heralded as a source of hope and leadership in Africa. Getting the country back on the track of moderate good governance and respect for the rule of law would be an important example to set on the poorest continent.

OPINION

Mr. President, Enact This Trade Deal

By William R. Rhodes

In his State of the Union address on Jan. 27, President Obama announced a new goal of doubling American exports over the next five years as part of his strategy for creating U.S. jobs. To achieve this goal, the president pledged to "seek new markets aggressively" and to strengthen the United States' trade relations in Asia with key partners, including South Korea.

The business community heard

Implementing the free-trade agreement with South Korea would be an easy stimulus for the U.S.

in the president's remarks a welcome signal that the White House views the U.S.-Korea Free Trade Agreement as part of the plan for U.S. economic recovery and job creation. There is no stronger action that President Obama and Congress could take to strengthen U.S. competitiveness in Asia—and to support new job growth through export creation—than implementation of this agreement at the earliest possible time.

Four years ago, the U.S. and Korea announced the launch of ambitious negotiations for a high-standard, high-quality free trade agreement between the two countries. Working to find solutions to some of the most complex and challenging issues in international trade, U.S. and Korean negotiators successfully forged a groundbreaking deal that established important new precedents for open markets and market access. The benefits of the U.S.-Korea FTA for U.S. workers, farmers and business of all sizes are well-established.

The FTA is more than just a trade agreement, however. It has important implications for broader U.S. economic and geostrategic goals in Asia. Implementation of the agreement would advance economic reforms in Korea that, by spurring new growth in Korea's market, will create new opportunities for U.S. businesses there. It will also offer American companies and workers an edge in Korea's market at a time when Korea and other Asian countries are rapidly integrating their economies through bilateral trade agreements and cross-border investments of billions of dollars each year.

Korea is a close ally of the U.S. and an important partner in global issues of shared interest. In recent years, Korea has taken on a more active role in international leadership, including its strong support for multilateral peacekeeping efforts. This year Korea is chair of the G-20 and has used this opportunity to advocate open markets in the face of the global financial crisis. U.S. and Korean partnership will be essential to ensure that recommendations for the international financial system considered within the G-20 are consistent with open market principles. Korea's stewardship of the G-20 and ratification of the FTA only strengthen the argument for international coordination on global economic issues.

AP Photo

Lee Myung-bak (l.) and Barack Obama in Seoul, Nov. 2009

Yet nearly three years after the signing of the U.S.-Korea FTA, the agreement continues to await approval by Congress and Korea's National Assembly. Domestic politics in both countries have at various times played a part in slowing progress on the agreement, despite its great promise. Some U.S. stakeholders have voiced concerns that the agreement could leave certain sectors of the U.S. economy behind, and the Korean government has said it is ready to work with its U.S. counterparts to find solutions that address these issues.

However, the window of opportunity for the U.S. to take advantage of the job creation potential of the FTA with Korea is shrinking rapidly. An economic study released last fall by the U.S. Chamber of Commerce estimated that nearly $35 billion in U.S. exports would be lost, putting at risk 345,000 American jobs, if the U.S. does not implement the FTA while other countries move forward with their own trade agreements with Korea. The Korea-European Union FTA, which offers European companies many of the advantages their U.S. peers would enjoy under the U.S.-Korea deal, is expected to enter into effect later this year.

Unless the U.S.-Korea FTA is implemented, there is significant risk that U.S. workers and businesses will be increasingly shut out of the world's most important growing economic engine. Korea, China and Japan recently launched a joint research project to study a trilateral free trade agreement, and the major economies of Asia are discussing the creation of an East Asian economic block that does not include the U.S. Continued inaction on the U.S.-Korea FTA threatens to undermine U.S. credibility in Asia, and around the world, as a serious trade partner.

It is imperative in the current economic environment that we take every measure that will save and create new American jobs. The U.S.-Korea FTA will do this by increasing U.S. exports to one of its largest overseas markets, without raising the federal deficit. One of the most important steps President Obama can take to achieving his goal of doubling U.S. exports over the next five years is implementing the U.S.-Korea Free Trade Agreement as soon as possible.

Mr. Rhodes is chairman of the U.S.-Korea Business Council and a senior vice chairman of Citigroup.

An Unlawful Bailout

By Sandeep Gopalan

The details might still be uncertain, but the European Union appears determined to bail out Greece. The problem, though, is that such a move would be illegal.

To be sure, Greece needs help to prevent the contagion of sovereign-default risk to the other euro-zone countries with special borrowing needs—commonly referred to as PIIGS (Portugal, Ireland, Italy, Greece and Spain). But the EU should not and cannot be the knight in shining armor. That role belongs to the IMF.

The Treaty of the European Union makes it illegal for the EU as a whole *and for individual member states* to come to the rescue of EU countries in financial trouble. Article 125 clearly says that the "Union shall not be liable for or assume the commitments of central governments . . . or public undertakings of any member state." Likewise, "a member state shall not be liable for or assume the commitments of central governments . . . of another member state" In order to prevent moral hazard, the treaty unequivocally rejects any wealth transfers to reward the spendthrifts.

Proponents of a bail-out for Greece, though, point to article 122 as the legal justification for the EU to act. This flies in the face of a plain reading of that article, which does allow for financial assistance but *only* if the member state's difficulties are "caused by natural disasters or exceptional circumstances beyond its control." No doubt Greece's difficulties are severe. But they were not caused by any force majeure. Greece's troubles are very much homemade and the result of reckless economic policies. A bloated and inefficient public sector (willing to trigger crippling strikes at the very mention of austerity), to name just one of the country's many problems, is certainly not "beyond its control." A declaration attached to the Nice Treaty specifically says that article 122 must be read so as to be compatible with the no bailout rule in article 125. But the EU has a record of selective application of its own rules.

An illegal bailout for Greece would only continue the sort of disrespect for the law that directly contributed to this fiscal mess in the first place. It is because the euro zone has failed to enforce its Stability and Growth Pact's fiscal requirements—a debt-to-GDP ratio of below 60% and deficits of below 3% of GDP—that Greece now finds itself in this vicious debt spiral. But virtually every state is in breach of one or both requirements. This sort of lax enforcement combined with poor monitoring of budget

Only the IMF, not the EU, can rescue Greece.

numbers dished out by rogue states like Greece has now exposed the euro to a possible collapse.

Greek bad faith also rules out a European intervention as a practical matter. Athens has repeatedly lied about its budget. The current estimate of the public deficit—12.7% of GDP—is twice that forecast by the previous government. Given its track record of dodgy accounting and disclosure, how do we know whether even the record 12.7% figure isn't overly optimistic? Prime Minister George Papandreou says that he is making a clean breast of things. But unless Greece commits to better reporting and strict monitoring without immediately complaining about losing sovereignty, Greek numbers cannot be trusted. And unless those who cooked the books are brought to justice, Greece's Enron-like accounting culture will continue.

Part of the problem is structural. Concentrating monetary policy in the European Central Bank without a fiscal policy union was bound to lead to disaster. One way around this problem would be to agree on a significant constitutional change and transfer control over fiscal policy to the EU. This would be a massive step in the direction of deeper integration—almost a United States of Europe—and would allow for the kind of wealth transfer required for a bailout. This is, however, a political nonstarter. No member state would give away so much sovereignty to Brussels. So, a U.S.E. will have to wait for now.

The only clean option is for the IMF to step in. The Washington-based institution has a proven track record in rescuing states, particularly those with bloated public sectors and state-owned white elephants. India offers a good example of successful IMF intervention in the 1990s, and there is no reason why the same medicine cannot be applied to Greece.

Greek concerns about stigma and loss of sovereignty are misplaced. Everyone but the most pig-headed trade-union leader agrees that drastic measures are necessary. These must include wage cuts, higher retirement ages, and longer hours of work. As for Greek sovereignty concerns, bringing in the IMF would only be a consequence of Greek loss of fiscal control, not its cause. Greece already lost its financial sovereignty as a result of years of deficit spending. Now is the time to accept responsibility and take corrective action.

Bringing in the IMF will also offer political cover for the Papandreou administration to undertake the necessary but unpopular reforms that could actually restore Greek sovereignty.

The IMF will also be better at policing Greek promises than the EU. Legal reforms mandating transparency and fiscal responsibility have always been essential components of every successful IMF rescue package. Desperate borrowers will sing whatever tune pleases reluctant lenders; the critical task is to ensure that those promises are kept with the threat of sanctions. Given Greece's record of financial fraud, sunshine has to be the largest component of the bailout. Otherwise, the same mistakes will be repeated and we will be history's fools.

Mr. Gopalan, a former Wall Street investment banker, is the head of the law department at the National University of Ireland, Maynooth.

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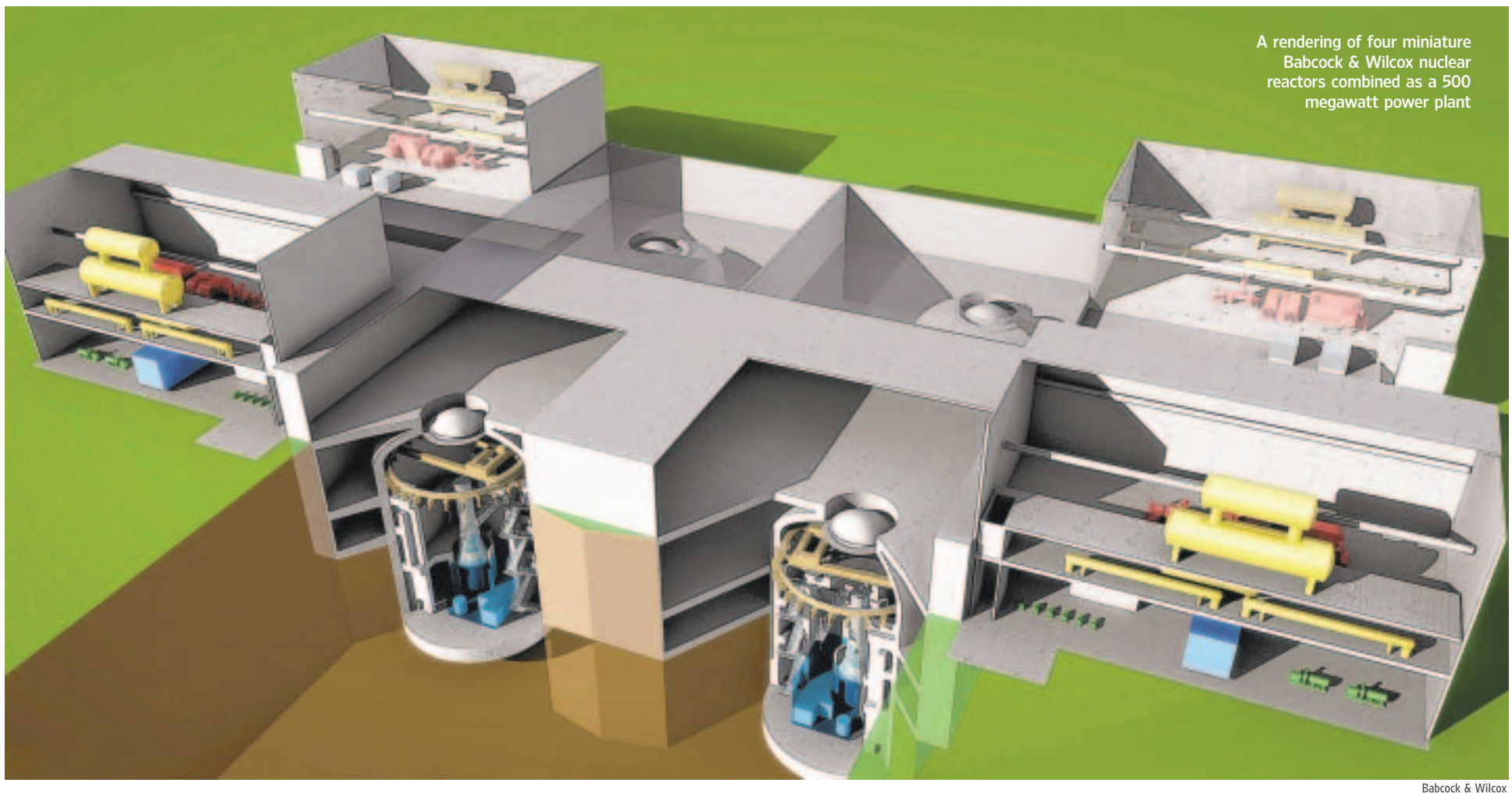
IN DEPTH

Small reactors are generating big hopes for nuclear industry

The new technology still faces the same unresolved issues of where to put the waste and the fear of contamination



A rendering of four miniature Babcock & Wilcox nuclear reactors combined as a 500 megawatt power plant

Babcock & Wilcox

By Rebecca Smith

A new type of nuclear reactor—smaller than a rail car and one tenth the cost of a big plant—is emerging as a contender to reshape the U.S.'s resurgent nuclear power industry. Three big utilities, Tennessee Valley Authority, **First Energy** Corp. and **Oglethorpe** Power Corp., on Wednesday signed an agreement with McDermott International Inc.'s Babcock & Wilcox subsidiary, committing to get the new reactor approved for commercial use in the U.S.

Although none have agreed to buy a reactor, the utilities' commitment should help build momentum behind the technology and hasten its adoption across the industry. It's a crucial first step toward getting the reactor design certified by the Nuclear Regulatory Commission. Early support from the three utilities, and four others that are mulling the agreement, increases the odds that customers will come forward in the future.

The news comes just as President Barack Obama announced more than $8 billion in loan guarantees this week that would pave the way for the first nuclear power plant in the U.S. in decades. He has proposed accelerating nuclear development by tripling the amount of federal loan guarantees for reactor construction to $54 billion.

The smaller Babcock & Wilcox reactor can generate only 125 to 140 megawatts of power, about a tenth as much as a big one. But the utilities are betting that these smaller, simpler reactors can be manufactured quickly and installed at potentially dozens of existing nuclear sites or replace coal-fired plants that may become obsolete with looming emissions restrictions.

"We see significant benefits from the new, modular technology," said Donald Moul, vice president of nuclear support for First Energy, an Ohio-based utility company.

He said First Energy, which operates four reactors at three sites in Ohio and Pennsylvania, has made no decision to build any new reactor and noted there's "a lot of heavy lifting to do to get this reactor certified" by the NRC for U.S. use.

Indeed, the smaller reactors still could incite major opposition. They face the same unresolved issues of where to put the waste and public fear of contamination, in the event of an accident. They could also raise alarms about creating possible terrorism targets in populated areas.

Still, the sudden interest in small reactors illustrates a growing unease with the route that nuclear power has taken for half a century. What many regard as the first commercial reactor built in the U.S., in 1957 at Shippingport, Pa., was only about 60 megawatts in size. By the time construction petered out three decades later, reactors had grown progressively bigger, ending up at about 1,000 megawatts of capacity.

Now, after a two-decade lull in construction, the U.S. is gearing up for a robust revival of nuclear power. Expanding the nuclear sector, which currently produces 20% of the nation's electricity, is considered essential to slashing carbon emissions. Companies such as **NRG Energy** Inc., **Duke Energy** Corp. and **Southern Co.** are planning large reactors that cost up to $10 billion apiece and can generate enough electricity to power a city the size of Tulsa, Okla.

But there is growing investor worry that reactors may have grown so big that they could sink the utilities that buy them. An increasingly global supply chain for big reactors also worries investors.

"We think the probability that things will go wrong with these large projects is greater than the probability that things will go right," said Jim Hempstead, senior vice president at Moody's Investors Service. He warns that nuclear-aspiring utilities with "bet the farm" projects face possible credit downgrades.

The large price tag has begun to spook some utility executives. John Rowe, the chief executive of **Exelon Corp.**, which operates the nation's largest fleet of nuclear plants, had hoped to build a new reactor in Texas. But, having failed to get federal loan guarantees, he recently said he's having second thoughts.

Instead, his company is expanding the capacity of its existing nuclear plants and is looking at Babcock & Wilcox's design. Amir Shakarami, Exelon's senior vice president, said mPower provides "an alternative that is practical and scalable," offering a way to add zero-emission power in small amounts and avoid the rate shocks that accompanied big reactors in the past.

Already, the high cost of large reactors is generating friction among partners. CPS Energy and **NRG Energy** Inc. sued each other recently when CPS, a city-owned utility in San Antonio got cold feet about investing in a new nuclear plant that could push up power costs for its customers. On Wednesday, the two agreed to a settlement in which CPS will reduce its stake in the project to 7.6% from 50% in exchange for a $90 million payment from NRG and dropping its lawsuit.

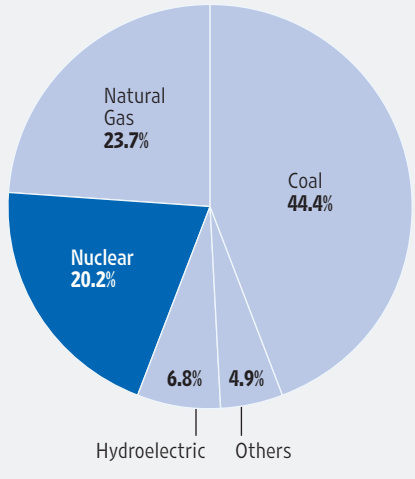
For utilities, a small reactor has several advantages, starting with cost. Small reactors are expected to cost about $5,000 per kilowatt of capacity, or $750 million or so for one of Babcock & Wilcox's units. Large reactors cost $5 billion to $10 billion for reactors that would range from 1,100 to 1,700 megawatts of generating capacity.

While large reactors are built on site, a process that can take five years, the mPower reactors would be manufactured in Babcock & Wilcox's factories in Indiana, Ohio or Virginia and transported by rail or barge. That could cut construction times in half, experts believe.

Because they could be water-cooled or air-cooled, mPower reactors wouldn't have to be located near large sources of water, another problem for big reactors that require millions of gallons of water each day. That could open up parts of the arid West for nuclear development. The first units

Power shift

U.S. electric-power generation, as of October 2009



Source: Energy Information Administration

likely would be built adjacent to existing nuclear plants, many of which were originally permitted to have two to four units but usually have only one or two.

Down the road, utilities could replace existing coal-fired power plants with small reactors in order to take advantage of sites already served by transmission lines and, in some cases, needed for grid support. These small reactors could be easily hooked up to the power grid.

One of the biggest attractions, however, is that utilities could start with a few reactors and add more as needed. By contrast, with big reactors, utilities have what is called "single-shaft risk," where billions of dollars are tied up in a single plant.

Another advantage: mPower reactors will store all of their waste on each site for the estimated 60-year life of each reactor.

Nuclear development moves at a glacial pace. The next wave of large reactors won't begin coming on line until 2016 or 2017, at the earliest. The first certification request for a small reactor design is expected to be Babcock & Wilcox's request in 2012. The first units could come on line after 2018.

However, some experts believe that if the industry embraces small reactors, nuclear power in the U.S. could become pervasive because more utilities would be able to afford them. "There's a higher likelihood that there are more sites that could support designs for small reactors than large ones," said David Matthews, head of new reactor licensing at the Nuclear Regulatory Commission.

That twist has some observers worried. "Nuclear power requires high-level security and expertise to operate safely," said Edwin Lyman, senior staff scientist for the Union of Concerned Scientists. "It seems like something that should be concentrated rather than distributed" or dispersed.

Experts believe small reactors should be as safe, or safer, than large ones. One reason is that they are simpler and have fewer moving parts that can fail. Small reactors also contain a smaller nuclear reaction and generate less heat. That means that it's easier to shut them down, if there is a malfunction.

"With a large reactor, the response to a malfunction tends to be quick, whereas in smaller ones, they respond more slowly" which means they're somewhat easier to control, said Michael Mayfield, director of the advanced reactor program at the Nuclear Regulatory Commission. Once on site, each reactor would be housed in a two-story containment structure that would be buried beneath the ground for added security. They would run round the clock, stopping to refuel every five years instead of 18 to 24 months, like existing reactors.

For communities looking for job creation, the smaller reactors promise fewer jobs than a large plant, which offers 700 to 1,000 permanent jobs. Small plants would have to satisfy the same security and safety standards as large plants but likely would require a somewhat smaller work force because they would run much longer between refueling outages.

Some critics are convinced that nuclear power will never be cost effective, no matter what the size. Amory Lovins, founder of the environmental think tank, the Rocky Mountain Institute, said it's a "fantasy" to imagine that small reactors will be any better than big ones. He notes that nuclear energy is inherently expensive because of the special precautions that must be taken in the handling of nuclear fuel and nuclear waste, which are radioactive, not to mention the tight security at nuclear plants. Also, there still is no permanent federal site for nuclear waste.

The electricity industry was burned once before by nuclear power, and many utilities remain skittish. Forty out of 48 utilities that issued debt for nuclear projects during the past construction cycle—20 to 30 years ago—suffered credit hits in the aftermath of the Three Mile Island accident in 1979, most with downgrades of four notches, said Moody's Investors Service. Many companies took charges of billions of dollars for abandoned projects.

Now some of these same companies are looking at the nuclear option again. Energy Northwest is a wholesale utility in Richland, Wash. It's the successor to the Washington Public Power Supply System, which acquired the unfortunate nickname of "Whoops," after it canceled construction of two partly built reactors in the 1980s.

At the time, the utility thought demand would grow briskly. Instead, the economy slowed and so did demand. Nuclear plant costs for the five units it planned to build swelled to nearly $24 billion in 1982 from $5 billion in the 1970s That set the stage for WPPSS's $2 billion bond default, at the time the largest in U.S. history.

Today, Energy Northwest is talking to **NuScale Power** Inc. in Corvallis, Ore., about a reactor design which measures 15 feet by 60 feet. Each unit would be capable of turning out 45 megawatts of electricity.

Jack Baker, Energy Northwest's head of business development, says he was initially skeptical about small reactors because of the "lack of economies of scale." But he says he now thinks small reactors "could have a cost advantage" because their simpler design means faster construction and "you don't need as much concrete, steel, pumps and valves."

"They have made a convert of me," he says.

Babcock & Wilcox's roots go back to 1867 and it has been making equipment for utilities since the advent of electrification, even furnishing boilers to Thomas Edison's Pearl Street generating stations that brought street lighting to New York City in 1882.

Based in Lynchburg, Va., the company has been building small reactors for ships since the 1950s. In addition to reactors for U.S. Navy submarines and aircraft carriers, it built a reactor for the USS NS Savannah, a commercial vessel which is now a floating museum in Baltimore harbor. It also built eight big reactors, in the past construction cycle, including one for the ill-fated Three Mile Island plant.

When a U.S. nuclear revival looked imminent, the company debated what role it could play. "Instead of asking, 'How big a reactor could we make?,' this time, we asked, 'What's the largest thing we could build at our existing plants and ship by rail?' " said Christofer Mowry, president of **Modular Nuclear Energy** LLC, Babcock's recently created small-reactor division. "That's what drove the design."

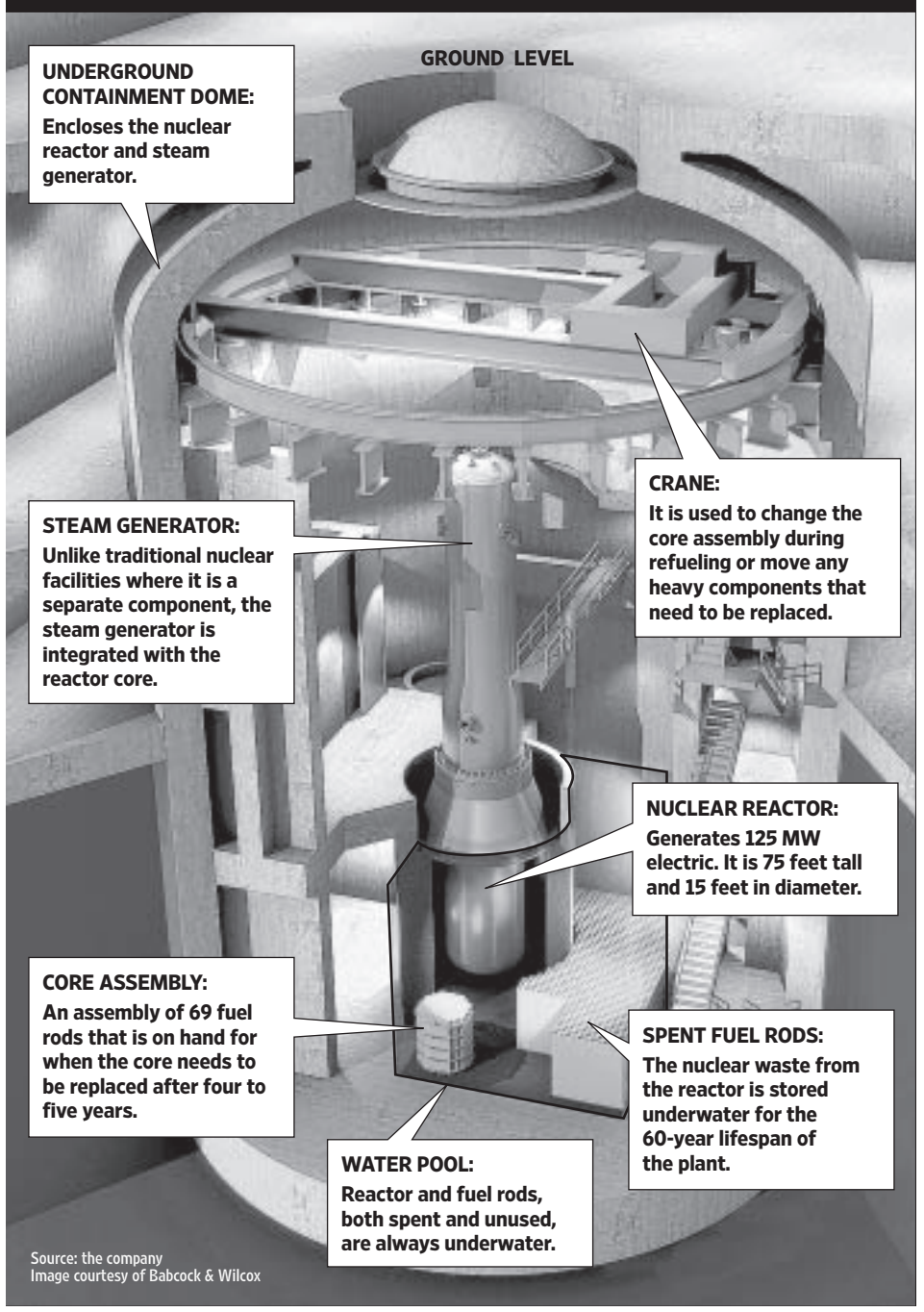
As interest in small reactors grows, other makers of big reactors are dusting off old designs. Westinghouse, a unit of **Toshiba** Corp., is taking another look at its 335-megawatt reactor called Iris. Mario Carelli, Westinghouse chief scientist, said his firm is considering marketing Iris to nations with small grids, "where a big reactor won't fit." He figures that's 80% of the world's grids.

Many obstacles remain. The NRC still is reviewing certification requests for five big reactors and won't be able to consider certifications of small reactors until its work load lightens. But Mr. Matthews of the NRC says he expects the commission will review as many as four small-reactor designs in the next two or three years.

Meantime, interest in small reactors is likely to grow. "If we can't figure out how to build large plants economically, then small ones may be the way to go," said Ronaldo Szilard, director of nuclear science and engineering at the Idaho National Lab, part of the Department of Energy.

Compact power

Babcock & Wilcox's reactor design is significantly smaller than that of existing nuclear plants.


GROUND LEVEL
UNDERGROUND CONTAINMENT DOME:
Encloses the nuclear reactor and steam generator.
CRANE:
It is used to change the core assembly during refueling or move any heavy components that need to be replaced.
STEAM GENERATOR:
Unlike traditional nuclear facilities where it is a separate component, the steam generator is integrated with the reactor core.
NUCLEAR REACTOR:
Generates 125 MW electric. It is 75 feet tall and 15 feet in diameter.
CORE ASSEMBLY:
An assembly of 69 fuel rods that is on hand for when the core needs to be replaced after four to five years.
SPENT FUEL RODS:
The nuclear waste from the reactor is stored underwater for the 60-year lifespan of the plant.
WATER POOL:
Reactor and fuel rods, both spent and unused, are always underwater.

Source: the company
Image courtesy of Babcock & Wilcox

WSJ.com

Question of the day: Do you support the building of smaller, less expensive nuclear reactors? Weigh in at **WSJ.com/Question**

After a two-decade lull in construction, the U.S. is gearing up for a robust revival of nuclear power. Expanding the nuclear sector, which currently produces 20% of the nation's electricity, is considered essential to slashing carbon emissions. Companies such as NRG Energy, Duke Energy and Southern Co. are planning large reactors that cost up to $10 billion apiece. But there is growing investor worry that reactors may have grown so big that they could sink the utilities that buy them.

FROM PAGE ONE

Obama-Dalai Lama meeting irks China

Continued from first page

In September, Beijing decried the Dalai Lama's visit to Taiwan (considered a renegade province by Beijing), where the spiritual leader led prayer services and consoled survivors of a disastrous typhoon the previous month.

Beijing canceled several official visits and participation in ceremonial events in Taiwan in response, but stopped short of further action that might affect warming cross-straits relations.

In November, China expressed "grave concerns" over the Dalai Lama's trip to a monastery in northeast India's Arunachal Pradesh, the state at the heart of a long-running border dispute between India and China, calling the trip a "separatist action."

Against this background, Mr. Barnett said Thursday's meeting has taken on greater significance than past meetings between American presidents and the Dalai Lama. And Mr. Obama's willingness to meet with the Dalai Lama despite Beijing's objections could pave the way for more meetings with foreign leaders going forward.

With every nuance in the Obama administration's approach to the meeting scrutinized, Mr. Barnett notes another important shift. While the meeting was private, the White House has described the Dalai Lama's position not only as a religious leader (the standard formulation), but also as a "spokesman for Tibetan rights."

This subtle turn of phrase "significantly hints that the meeting will be more than people talking about religion and culture," said Mr. Barnett.

Yang Xiyu, a researcher with the China Institute of International Studies, said the meeting faced strong opposition from Chinese people and would create another sore point in U.S.-China relations, already strained by matters such as the $6.4 billion sale of arms by the U.S. to Taiwan, human-rights issues and increasing pressure on China to allow its currency to appreciate.

"The meeting between Obama and Dalai Lama represents one disaster after another, like adding frost to the snow," said Mr. Yang, citing a Chinese idiom.

However, in a sign that Beijing's bark on Tibet may be worse than its bite, China on Wednesday allowed a U.S. aircraft carrier and four other war ships to dock in Hong Kong for a four-day rest and recreation stop. In November 2007, China denied another U.S. ship the right to make a scheduled port call in the city, a move that was seen by some as retaliation for the meeting with Mr. Bush and the congressional honor a few weeks earlier.

Agence France-Presse/Getty Images

Tibetan activists demonstrate Thursday in front of the White House before a meeting between President Obama and the Dalai Lama.

"It seems to be a sort of conciliatory gesture," said Mr. Barnett.

Earlier this month, envoys of the Dalai Lama traveled to Beijing to resume talks on Tibet after a stalemate of more than 15 months, but the talks ended without any new breakthroughs.

In the last round of talks, held in November 2008, Chinese officials rejected a proposal from the Dalai Lama's representatives that sought greater autonomy for Tibetans under the Chinese constitution, and insisted on addressing only the possible return of the Dalai Lama, who fled China in 1959.

Beijing's position is that Tibet is an inviolable part of China and has been for centuries, although many foreign historians say the region functioned largely independently until the Communist Party came to power. The Dalai Lama is often demonized in China's official media as "splittist" and a "wolf in monk's robes."

The Dalai Lama's position is that he doesn't seek formal independence for Tibet, but greater cultural and religious freedom for Tibetans. Tibetans often complain that their language, culture and religious traditions are threatened by official government policies, and that Beijing's investments in Tibetan regions largely benefit the majority ethnic Han Chinese who have been encouraged to settle in the west.

Tensions in the region came to a head two years ago, when violent anti-Han riots broke out in Lhasa and other Tibetan areas. The Dalai Lama was exorcised as an instigator of the unrest, a charge he denies.

Last month, following a rare high-level policy meeting in Beijing, the government announced that it would increase investment in Tibetan regions, with the goal of raising incomes in the impoverished areas to meet the national average by 2020.

—Gao Sen in Beijing contributed to this article.

Are Myanmar asset sales push toward reform?

Continued from first page

nounced yet." Efforts to reach Kanbawza were unsuccessful.

Buyers of the newly privatized assets are expected to be mostly local companies, Mr. Maung Maung Lay said. U.S. companies are, for the most part, prohibited from operating in Myanmar because of sanctions against the regime, which is accused of an array of human-rights violations. But other investors, especially in Asia, may seek to play a role.

Asian companies have entered a number of joint ventures with Myanmar's government over the years and are keen to expand in the country because of its vast natural resources and potential consumer market of 50 million people.

The privatization effort appears to be an acceleration of market reforms started in the late 1980s. At the time, the goal was to undo socialist policies imposed after the military took over in 1962—including the nationalization of key industries—that held Myanmar back while neighbors such as Thailand boomed.

Since then, privatizations have helped to boost growth and have brought more efficiency to some industries. But momentum has ebbed and flowed over time, depending on the whims of the regime, and the government has refused to let go of many of its most lucrative assets, including investments in infrastructure and natural resources.

A broad array of critics of the regime have long complained that the program lacks transparency, which increases the odds that assets wind up in the hands of allies of the regime. Many of Myanmar's biggest private companies—including some believed to be in the running for the latest assets—have close ties to military leaders and are targeted by U.S. sanctions. Myanmar consistently ranks among the most corrupt nations in the world, according to annual indexes produced by Transparency International, an advocacy group.

Momentum for the program appears to be building again, though, most likely because of national elections planned for later this year. Analysts generally believe the regime is holding the election as a bid to boost its legitimacy in the eyes of residents and foreign governments. Few expect it to be a free and fair vote, given the country's record of abuses.

The last vote, in 1990, was won by opponents of the regime led by famed dissident Aung San Suu Kyi. But the regime ignored the result and now holds Ms. Suu Kyi under house arrest. Officials on Saturday released Tin Oo, a leading dissident who helped to found the National League for Democracy opposition party along with Ms. Suu Kyi.

Still, some observers have predicted the election may trigger more economic reform, as the regime looks to curry favor with supporters. Other analysts suspect officials simply want to cash out now, in case the election—whose date is still unknown—has an unexpected result.

Even if the vote is rigged, it is widely believed some top military figures will retire or leave office, resulting in a possible leadership shuffle that could lead to instability or other changes.

If it is possible to sell assets, "while you're utterly in control of the country, with soldiers in the streets and everything locked down, why not do it?" says Sean Turnell, an expert on Myanmar's economy at Macquarie University in Australia. "This is about locking up wealth now."

The proposed sale of fuel stations is particularly sensitive given the importance of fuel costs in the local economy. In 2007, a government decision to cut fuel subsidies helped trigger protests that ended in a harsh government crackdown, killing at least a dozen people.

According to Irrawaddy, a Myanmar-focused news organization based in Thailand, a contract to operate at least some state fuel stations has already been awarded to local entrepreneur and alleged arms dealer Tay Za, who is targeted by U.S. sanctions because of ties to the military regime. The publication cited unnamed business sources in Myanmar.

Attempts to reach Mr. Tay Za were unsuccessful. Mr. Maung Maung Lay at the Federation of Chambers of Commerce and Industry said the stations, which are owned by a state vehicle under the Ministry of Energy, hadn't been sold yet but that the fuel-station privatization would be complete soon, possibly by the end of March.

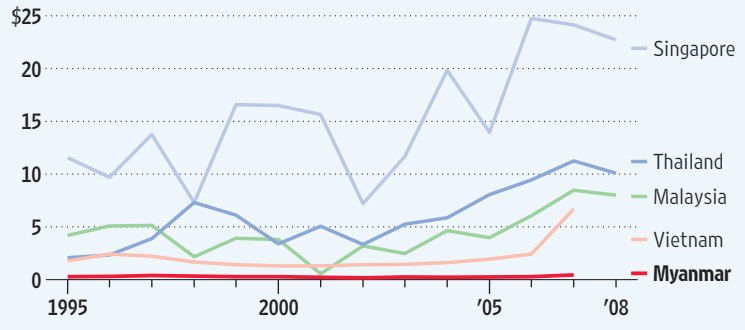
Other planned privatizations include three Yangon ports owned by Myanmar's Port Authority under the Ministry of Transport.

At least one other port in the region already is operated by a private company, Asia World, a Myanmar conglomerate whose managing director also is on a U.S. sanctions list.

Held back

The slow pace of market reforms, economic sanctions and concerns about human-rights violations have kept investment in Myanmar well behind its neighbors.

Foreign direct investment, in billions of dollars:



Note: 2008 figures not available for Vietnam and Myanmar
Source: Asian Development Bank

Private interests

Market reforms since the late 1980s have spawned large private conglomerates in Myanmar — many with close ties to the government.

Some key players:

■ **Htoo Trading:** Led by alleged arms dealer Tay Za (right), with interests in logging, construction and other businesses. Believed to be Myanmar's biggest private-sector exporter. Htoo and Mr. Tay Za are targeted by U.S. sanctions.

■ **Asia World:** Active in road and port construction. Managing Director Steven Law listed in U.S. sanctions and described by U.S. Treasury as "one of the wealthiest individuals" in Myanmar, with links to heroin trading.

■ **Max Myanmar Group:** Interests in gems, timber and tourism, as well as construction projects for the government. Managing Director Zaw Zaw became president of Myanmar Football Federation; also targeted by U.S. sanctions.

Agence France-Presse

Myanmar tycoon Tay Za

■ **Yuzana Company:** Businesses are believed to include property, tourism, palm oil and rubber. Included on U.S. sanctions list.

■ **Kanbawza Bank:** One of many private banks created in the 1990s, it became one of the largest, with roughly 30 branches and its own soccer team.

Sources: U.S. Treasury Department, Associated Press, WSJ reporting

WSJ.com

Online today: See more photos of the Dalai Lama's high-profile visits since he was forced into exile in 1959, at **asia.WSJ.com**

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Carlyle loses its bet on Willcom

Japanese telecom company's bankruptcy filing wipes out $400 million investment by U.S. private-equity firm

By Alison Tudor

TOKYO—The bankruptcy filing Thursday of **Carlyle Group**'s Japanese mobile-phone company wiped out about $400 million of the U.S. firm's equity investment, placing a blot on the company's otherwise strong record here.

Carlyle bought a 60% stake in Willcom Inc. with a partner in 2004, after more than two years of sensitive negotiations with a reluctant Japanese seller. It was a hard-fought acquisition that was seen as a symbol of the difficulties American investors faced buying into Japanese firms, yet also a sign of the opportunities in a newly opening Japan.

But Willcom soon lost market share in the fiercely competitive Japanese mobile-services sector. After failing to reach agreement with creditors, the company filed for court protection with 206 billion yen ($2.26 billion) in debt. The move wiped out Carlyle's equity investment of about 36 billion yen that was spread across several funds, according to people familiar with the situation.

The bankruptcy is the biggest ever for a Japanese telecom operator, according to the private research agency Teikoku Data Bank.

Mobile-phone service provider **Softbank** Corp. and local private-equity firm **Advantage Partners** LLP are in talks about injecting capital into Willcom, some of the people said.

Carlyle is regarded as one of the more well-established funds in Japan and has invested more than $1 billion in the equity of 12 companies in the country since 2000. Despite Willcom's failure, Carlyle's first Japanese buyout fund is on track to return two times their money to investors, said a person familiar with the matter. It is one of the top-performing funds at Carlyle, said spokeswoman Dorothy Lee.

Bloomberg News

Willcom President Yukio Kubota bows in apology Thursday at a news conference after the firm's bankruptcy filing.

However, it hasn't done any of the multibillion-dollar buyouts in Japan that made the firm's name in the U.S. in areas such as aerospace and defense, even though Japan is packed with conglomerates that could be restructured. Typical of the type of lower-profile deals Carlyle has been doing in Japan, one recent transaction was a $199 million buyout of a pub/restaurant chain operator called Chimney Co., according to data provider Dealogic.

A person close to Carlyle said this was partly because the investment firm has had to adapt to the local markets across Asia.

Ms. Lee said Carlyle "will continue to seek both large and midsize investment opportunities in Japan" in three areas including industrial; telecom, media and technology; and health care, consumer and retail.

When Carlyle first approached Japanese mobile-phone company **KDDI** Corp. in 2001 about buying its unit Willcom, then called DDI Pocket, Willcom's technology was already seen as outdated in some quarters and its revenue was falling.

The technology was developed in Japan as an alternative to cellphones. Called Personal Handyphone System, or PHS, it offered calls at a fifth the price of cellphone services by using a network of antennas that communicated with the phones over very short ranges.

Private equity was a nascent industry in Japan at the time and was struggling to convince firms to part with assets, even poorly performing ones. Japanese managers try to ensure lifetime employment, even if it undermines the firm's profitability; many managers suspected a foreign fund would focus on maximizing profits and flip the asset after a few years, threatening jobs.

Carlyle convinced KDDI to sell it Willcom by bringing in a Japanese co-investor, **Kyocera** Corp., and letting KDDI keep a 10% stake. When the $2 billion sale was signed in June 2004, it was the second-biggest private-equity transaction in Japan after Ripplewood Holdings LLC's 2003 buyout of the fixed-line business of Japan Telecom.

Willcom's subscriber base grew to 4.6 million in 2007 from 2.9 million at the time of the acquisition.

But then competitors launched cheaper, faster services with more advanced features. Subscribers fell to 4.3 million as of January.

Softbank and Advantage Partners are now trying to hash out an agreement to invest. Softbank is particularly interested in Willcom's license for high-speed services, said one of the people.

—Hiroyuki Kachi and Mariko Sanchanta contributed to this article.

India scrutinizes U.S. firm for Pakistan connection

By Amol Sharma

NEW DELHI—In 2007, **Telcordia Technologies** Inc. of the U.S. sold its software to several Pakistani cellphone companies, just as it has done in 14 other countries.

Now that fact is making life difficult for the company in Pakistan's archrival, India.

Millions of Indian cellphone users are awaiting the chance to switch wireless providers while keeping the same phone number. Piscataway, N.J.-based Telcordia was one of two companies the Indian government selected to provide crucial back-end services in the transition to so-called number portability.

But in recent months, India's Home Ministry has raised objections that partnering with Telcordia could compromise national security, effectively putting the company's plans on hold.

The Indian ministry noted its concerns that Telcordia "has presence in Pakistan," according to notes from a January meeting of the Foreign Investment Promotion Board, the government body that reviews foreign investments.

The FIPB, which must sign off on foreign investment in sectors including telecommunications, granted approval to the arrangement last February, but the Home Ministry intervened in November to request that it be revoked, according to the meeting notes.

The Home Ministry "has serious concerns over telecom security" and the potential for unauthorized

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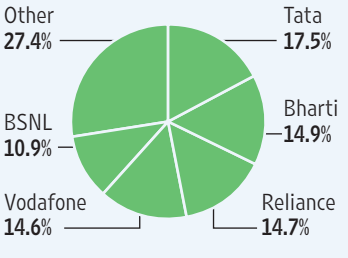
Scramble for subscribers

India has 525 million cellphone users and the sector is growing quickly.

Market share of wireless operators by new subscriber additions in December 2009:



Source: Telecom Regulatory Authority of India

Newscom

Qantas results disappoint investors

Shares decline 8.1% after carrier reports 72% drop in fiscal-first-half earnings and suspends dividend payment

By Iain McDonald

SYDNEY—**Qantas Airways** Ltd.'s fiscal-first-half net profit shrank by 72% from a year earlier, and the carrier's shares fell 8.1% after it said it won't pay a dividend, given a challenging environment.

Australia's top airline by traffic also unveiled details of a US$360 million reconfiguration of its aircraft cabins, citing an industry shift away from premium-price, first-class seats.

Qantas said Thursday that rising fuel costs and higher depreciation costs mean underlying profits could slow in the second half ending June 30. The airline forecast a full-year underlying profit before tax of 300 million to 400 million Australian dollars (US$270 million to $360 million), with A$267 million of that amount made in the first half.

Analysts had been expecting full-year profit of A$530 million. Qantas's shares ended at A$2.73, down 24 Australian cents, outpacing a 0.3% drop in Australia's benchmark S&P/ASX 200-stock index.

Chief Executive Alan Joyce defended the result, saying it was a significant improvement over expectations last year of a loss in the latest period. "We are seeing yields and revenue continue to improve, with revenue set to be higher in the second half than in the first half," he said in an interview. Yields are an airline-industry measure of profitability.

Qantas returned to profitability after a loss in the second half of last fiscal year, following quick action by the airline during the global aviation downturn to reduce capacity. Also important was the resilience of its diverse product range, with its Jetstar low-cost carrier continuing to grow and producing a record profit while its full-service business languished.

Reflecting a fundamental shift in global air travel away from premium-class seats, Qantas unveiled details of its cabin reconfiguration, which the airline said would be funded through cash flow and existing debt facilities.

Qantas will carry first-class passengers on only 12 of its Airbus A380 aircraft, while 29 aircraft—both Boeing 747s and some of the remaining A380s on order—will have a three-class configuration that includes economy, premium economy and business. While removing a large proportion of first-class seats, Qantas will add business-class and premium-economy seats.

Qantas unveiled details of its cabin reconfiguration. While removing a large proportion of first-class seats, Qantas will add business-class and premium-economy seats.

"Every full-service operator in the world...has suffered," Mr. Joyce said during a conference call. "That's because...premium traffic dropped by between 20% and 30%" as a result of the global economic crisis.

He said international yields are improving but lagging behind a recovery in domestic yields, with the airline struggling on Australia-London and Australia-U.S. routes.

"The Pacific [routes] still continue to be oversupplied, with all carriers losing money," Mr. Joyce said.

Reflecting the difficulty faced by full-service airlines, Qantas's mainline operations recorded underlying earnings before interest and tax of just A$12 million in the first half.

Overall, the airline's first-half net profit was A$58 million, compared with a loss in the second half of last fiscal year but down from a profit of A$210 million in the first half of last fiscal year.

Analysts' forecasts centered on net profit of A$68 million, with expectations ranging between A$49 million and A$97.3 million, according to a survey of seven analysts by Dow Jones Newswires.

In the six months to Dec. 31, the airline had sales and other income of A$6.91 billion, down from A$8.07 billion a year earlier. Qantas said it won't pay an interim dividend after paying a six-cent dividend for the same period a year ago.

"Remaining uncertainty in the economic outlook, particularly in international markets, industry capacity, passenger and freight demand and high levels of volatility in fuel prices and exchange rates continue," Mr. Joyce said in a statement.

"In this context, coupled with a significant capital expenditure program associated with fleet renewal, the board considers it prudent not to pay an interim dividend, and future dividends will be assessed against ongoing earnings performance and capital requirements."

Analysts said that despite the conservative full-year profit forecast, there were positive aspects to Qantas's results. Citi analysts said they maintain their "buy" rating and target price of A$3.55. "This result in our opinion signals an inflection point in earnings," they said.

Confusion grows over bidding for Nigerian telecom

By Lorraine Luk And Will Connors

HONG KONG—Confusion around the bidding for a 75% stake in **Nigerian Telecommunications** Ltd. grew as the CEO of the Nigerian company involved in the winning consortium said **China Unicom (Hong Kong)** Ltd. was one of its partners.

The Chinese telecom had earlier on Thursday said it isn't part of a group bidding for the stake, according to spokeswoman Sophia Tso.

But Usman Gumi, CEO of **GiCell Wireless** Ltd., said the London office of China Unicom agreed to a technical partnership in the New Generation Consortium and a 20% equity stake in the offer for NITEL.

The comments come after Chigbo Anichebe, head of public communications at Nigeria's Bureau of Public Enterprises said in a Tuesday statement that an offer by the New Generations Consortium was the highest bid submitted by five companies that participated for a stake in NITEL and its subsidiary, M-TEL. The Nigerian agency said China Unicom was part of the consortium.

"The offer is legitimate; the Hong Kong office must not be well informed," said GiCell's Mr. Gumi in an interview Thursday.

Mr. Gumi said that China Unicom "will provide technical and managerial support" to the consortium, while a Dubai-based company, **Minerva Group**, is the main financial backer.

Calls to the China Unicom office in London weren't immediately returned. Efforts to contact Minerva Group representatives in Dubai weren't immediately successful.

Officials from the Nigerian privatization office didn't respond to requests for comment.

Mr. Gumi said the New Generation Consortium was working with additional strategic partners.

Meanwhile, analysts say that the $2.5 billion bid from the New Generation Consortium is far too high and consider NITEL to be worth around $400 million to $500 million.

Some analysts expressed surprise at the statements of China Unicom's involvement, saying the company is unlikely to expand overseas as it is being tied up by intensifying competition in its home market, and is expected to focus its resources on its newly launched third-generation mobile operations.

China Unicom's larger rival, China Mobile Ltd., in contrast, is cash rich and has already made forays into overseas markets. With its parent, **China Mobile Communications** Corp., it paid $284 million for an 89% stake in Pakistan carrier Paktel Ltd. in 2007.

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Corrections & Amplifications

The Whistler Sliding Centre is located in the Coast Mountains. An In Depth article in some editions Thursday about the death of a luge athlete at the Vancouver 2010 Olympic Winter Games incorrectly said the facility was in the Canadian Rockies.

Hutchison Telecom delays results

Carrier awaits outcome of discussions with U.S. regulators on accounting issue in Indonesian sale-leaseback deal

By Lorraine Luk And Jonathan Cheng

HONG KONG—**Hutchison Telecommunications International** Ltd., which controlling shareholder Li Ka-shing plans to take private, said Thursday it would delay its 2009 earnings results until discussions with U.S. securities regulators over the company's accounting procedures are resolved.

The previously disclosed talks with the U.S. Securities and Exchange Commission could result in restatement of 2008 and first half 2009 results. The move follows Mr. Li's $545 million offer to take private the roughly 40% of the company he doesn't control. Mr. Li is one of Asia's richest men and an influential Hong Kong investor.

The telecom, known as HTIL, is listed in New York and Hong Kong, and said the SEC discussions would force it to postpone the release of its full-year 2009 results, which were slated to be released Thursday.

Li Ka-shing

The company didn't specify a new date, and said the discussions with the SEC are "ongoing and the finalization of the 2009 Annual Results is pending their conclusion."

The SEC talks regard the company's treatment of gains it made from a HK$3.88 billion (US$500 million) set of sale-lease back transactions on telecommunications towers in Indonesia.

Last month, Mr. Li's flagship **Hutchison Whampoa** proposed to take private the struggling HTIL for HK$2.20 a share. Hutchison Whampoa hasn't laid out a timeframe for the transaction and has said it won't increase the offer price. HTIL shares finished trading Thursday at HK$2.14.

Hutchison Whampoa, which owns 60.4% in HTIL, has businesses in ports, property, energy and retail.

In recent years, HTIL has disposed of mobile-phone assets in India and Israel, and also spun off its profitable Hong Kong and Macau business, Hutchison Telecommunications (Hong Kong) Ltd. That has left HTIL with unprofitable operations in Thailand, Sri Lanka, Indonesia and Vietnam.

HTIL spokeswoman Ada Yeung declined to say Thursday how the accounting treatment would change its reported 2008 results and its 2009 earnings.

Allan Ng, analyst at BOCI International, said if the company changes the accounting treatments and lowers its results, it may prompt shareholders to vote in favor of the privatization given the gloomy business performance.

The transactions in question are a multipart set of sale-leasebacks of 3,692 base station towers in Indonesia to PT Profesional Telekomunikasi Indonesia. The SEC discussions, which began in August 2008, look at whether those transactions should count as gains on the company's balance sheet.

HTIL reported net income of HK$1.88 billion for 2008 and a net loss of HK$285 million for the first half of 2009.

"If the company were required to account for the sale and leaseback transactions as a finance lease, the company would not recognize a gain from the sales of the base station tower sites or an operating lease expense," HTIL said in a filing.

Macau helps MGM, Sands narrow losses

By A.D. Pruitt And Nathan Becker

MGM Mirage and **Las Vegas Sands** Corp. each posted narrower fourth-quarter losses, as the rival casino operators reported gains at their Macau operations.

Revenue declined across multiple aspects of MGM Mirage's business, however, while Las Vegas Sands cited strong revenue growth in Macau, partially offset by lower Las Vegas revenue.

A booming Macau, the world's largest gaming hub by revenue, is helping to sustain operators there. "The performance in Macau provides strong momentum as we resume construction activities on our latest integrated resort development in Macau," said Las Vegas Sands Chairman and Chief Executive Sheldon Adelson. He referred to two parcels of land across the company's massive Venetian resort.

MGM Mirage on Thursday posted a loss of $433.9 million, or 98 cents a share, narrowing from its year-earlier loss of $1.15 billion, or $4.15 a share. Revenue declined 11% to $1.45 billion. The year-earlier quarter included a $1.2 billion write-down.

MGM Mirage operates a joint venture in Macau, the MGM Grand Macau, with heiress Pansy Ho. The company said MGM Grand Macau had operating income of $22 million and had a depreciation expense of $24 million during the fourth quarter of 2009. Last year, it reported a loss of $2 million and a depreciation expense of $19 million during the same period.

Meanwhile, Las Vegas Sands' results on Wednesday underscored continued struggles in Las Vegas as declining tourism and convention business took a toll.

For the latest quarter, Las Vegas Sands reported a loss of $67.4 million, or 17 cents a share, compared with a year-earlier loss of $111.3 million, or 27 cents a share. Excluding write-downs and other impacts, earnings came to three cents a share, compared with a year-earlier loss of four cents a share. Total revenue increased 16% to $1.38 billion.

Profit at the Venetian Macau soared 95% and increased 13% at the Sands Macau.

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At Lexus, we like to challenge convention and seize upon things. Like 'h' for example. For us, it's a catalyst. The spark that generated Lexus Hybrid Drive Technology, which led to the development of the world's most advanced powertrain. Thanks to 'h', a Lexus Full Hybrid not only accelerates seamlessly between its dual power sources but, unlike mild hybrids, can also be powered by its electric motor alone. Delivering an exceptional and enjoyable driving performance with exhilarating power. Expect power in its purest form with at least 20% lower carbon emissions* and greater fuel efficiency with the Lexus Full Hybrids. Experience the power to change the world at www.powerofh-asia.com

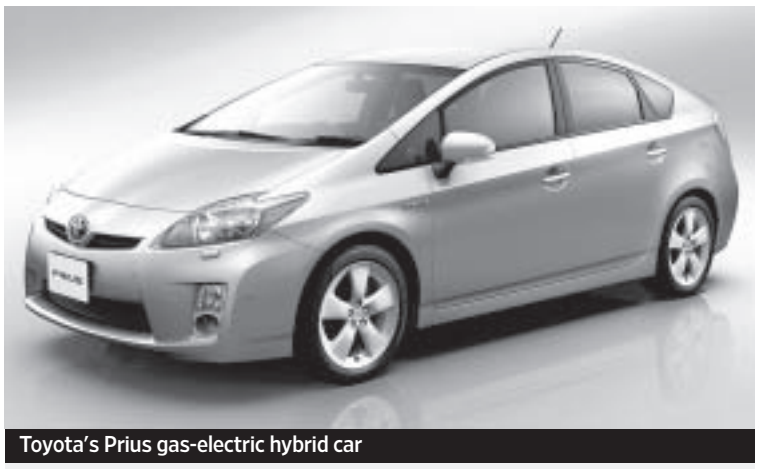
Vehicle specifications and model availability may vary by market.
*Compared to regular gas engines of similar performance. Actual data may vary depending on testing conditions.

LEXUS
THE PURSUIT OF PERFECTION

CORPORATE NEWS

In Japan, used Prius models shine

Customers unfazed by brake problem pay more for a previously owned model rather than wait for a brand new one

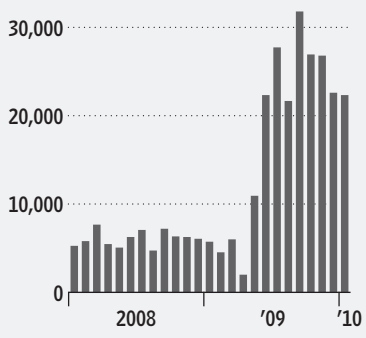


Toyota's Prius gas-electric hybrid car

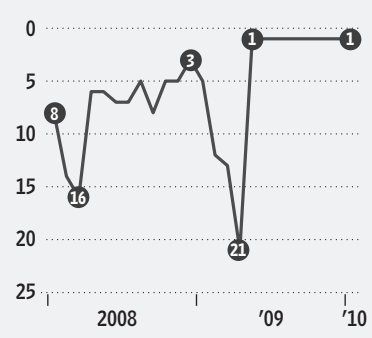
Newscom

Top dog

Sales of Prius vehicles in Japan



Prius' passenger-car rank, by sales



Source: Japan Automobile Dealers' Association

By Miho Inada And Mariko Sanchanta

TOKYO—As **Toyota Motor** Corp.'s best-selling Prius gets caught up in the auto maker's broader quality issues, it can still count on one solid base of support: Japanese drivers who want one now.

It is too early to tell how brake-system issues Toyota disclosed earlier this month in some Priuses will affect sales of the gasoline-electric hybrid in Japan, where it is the top-selling car. Sales topped 22,300 in Toyota's home country last month, according to the Japan Automobile Dealers Association.

But dealers report demand remains strong for used models of the 2010-model Prius, which is at the center of brake concerns that prompted Toyota to recall more than 400,000 Prius and other hybrid models. That's because car buyers can drive a used Prius off the lot immediately instead of enduring the wait of up to 4½ months for delivery of a new one.

Tokyo-based **Gulliver International Co.**, one of Japan's biggest used-car trading firms, said used 2010-model Priuses continue to sell at prices that are 5% to 10% higher than the same model sold new.

The average price for a used Prius S, one of the basic Prius models rolled out last May, is around 2.4 million yen, or about $26,300, the firm says. The sticker price for a new version of the same model is 2.2 million yen.

Some used models in popular colors such as pearl, black and silver are quoted at even higher prices, between 2.5 million yen and 2.8 million yen, on Gulliver's Web site.

"There are people who decided not to buy Prius out of safety concerns, but everyone is not like that. Some go for a used one so they can drive it immediately," said Shoichi Suzuki, head of research at Gulliver.

Japan Plant Service, a used-car dealer in Hachioji city outside central Tokyo, sells about five second-hand Priuses a month, which account for half of the company's monthly business. Hiroyuki Endo, a employee there, said the pace of 2010 Prius sales hasn't slowed. The company has sold two Priuses so far this month.

"It seems customers do not mind. Prius remains the most popular car for our business," said Mr. Endo.

Sellers of the used Priuses are required to make sure the necessary repairs to the braking system are made.

Japanese consumers pay close attention to product rankings. When something reaches the No. 1 spot in sales, whether it be cars, cosmetics or beverages, a buying frenzy sometimes follows.

The Prius delivery time has been reduced from its peak of eight months. Still, Toyota said Feb. 5 that customers who ordered a Prius after Feb. 3 wouldn't have their vehicle delivered until late June.

Netz Toyota Yokohama, an independent dealer with 31 outlets outside Tokyo, has received four cancellations out of about 100 new Priuses that have been ordered but haven't yet been shipped. The customers who canceled cited the safety issue, said company spokesman Takeshi Kitagawa.

But, he added, "While cancellation is not zero, confusion is much less than we expected. We thought customers would be much more upset given the widespread media reports."

At **Exfeel** Corp., an independent used-car dealer in the commuter town of Chiba, president Taro Yoshikawa sold some used Priuses this week to other used-vehicle dealers at prices higher than those for brand new ones, indicating that dealers assume that they can still sell Prius at premium prices for some time.

"The popularity of Prius is still strong and I don't anticipate the price [for the used ones] would drop dramatically," he said. "Its popularity is persistent."

U.S. politicians rally for Toyota as scrutiny widens

By Neil King Jr.

Even as U.S. regulators widen their scrutiny of **Toyota Motor** Corp. to include possible steering problems with its Corolla compact, the company is also finding it has friends in Washington.

Nearly 1,900 people work at the Toyota truck factory that skirts Rep. Henry Cuellar's district in South Texas. The San Antonio Democrat also sits on a House committee that is digging into the car maker's safety problems, with hearings planned for next week.

All of which explains why Texas Gov. Rick Perry called Mr. Cuellar last week to put in a plug for Toyota.

"He said, 'Hey, Henry, will you please look at the other side of the issue? They have been a good company...Let's not pummel Toyota,'" Mr. Cuellar said of the conversation, which Gov. Perry's office confirmed.

Toyota's travails are raising similar calls for restraint elsewhere as lawmakers fret over potential job losses and defend the Japanese car maker against what some see as unfair scrutiny from U.S. regulators.

The support comes even amid new issues for Toyota. The Corolla investigation could start as early as Thursday, said a U.S. Transportation Department official. The inquiry will cover about 500,000 model-year 2009 and 2010 Corollas, officials said.

The National Highway Traffic Safety Administration has received 163 complaints about the steering in Corollas from those model years, according to the safety agency's Web site. Toyota said it is also looking into the complaints.

On Thursday, meanwhile, the chairman of a U.S. House panel investigating Toyota formally invited the auto maker's chief executive, Akio Toyoda, to testify before Congress on Wednesday.

The invitation by Rep. Edolphus Towns (D., N.Y.), chairman of the House Oversight and Government Reform Committee, came a day after Mr. Toyoda indicated he would consider testifying before Congress if invited. Toyota's U.S. chief already plans to testify.

A spokeswoman for Toyota didn't immediately respond to a request for comment.

But a number of prominent politicians are going so far as to question the motives surrounding the federal safety probe. In a sign of how much the political landscape has shifted since the U.S. Japan-bashing of 20 years ago, a group of governors are siding with Toyota in the safety probe, while subtly jabbing at the safety records of U.S. car companies.

Their stance reflects lingering unease among conservatives over the government ownership stakes in **General Motors** Co. and **Chrysler Group** LLC, but also how entrenched foreign-owned car makers now are in much of the heartland.

Republican governors Mitch Daniels of Indiana, Haley Barbour of Mississippi, and Bob Riley of Alabama, as well as Democrat Steve Beshear of Kentucky, jumped into the fray with a letter last week to key congressional chairmen.

In the letter, sent to the heads of the House Committee on Energy and Commerce as well as the House oversight committee, the governors described Toyota as a victim of an overly aggressive press and said the company had responded to its safety problems in a more "emphatic manner" than any other car company under scrutiny by the Department of Transportation.

Car jobs

Toyota is a major employer in several U.S. states. Figures exclude Toyota dealership workers.

STATE	DIRECT EMPLOYMENT IN 2009
1. California*	10,725
2. Kentucky	9,161
3. Indiana	4,582
4. Texas	2,040
5. West Virginia	1,173
6. Michigan	1,016
7. Missouri	909
8. Alabama	867

*Toyota is scheduled to close its Fremont, Calif., factory, which employs about 4,700 workers.
Source: the company

The governors then questioned whether federal regulators could be fair toward Toyota, considering the government's "obvious conflict of interest because of its huge financial stakes" in GM and Chrysler.

Mr. Daniels "was making an appeal for basic fairness," said the governor's spokeswoman.

Gov. Perry sent his own letter Tuesday to Rep. Joe Barton, a fellow Texan and the ranking Republican on the House Energy and Commerce Committee, which plans to hold Toyota hearings Tuesday. Gov. Perry lamented that "negative news [on Toyota] is being encouraged by plaintiffs' trial lawyers, union activists and those interested in cutting into Toyota's market share."

Administration officials reject the suggestion there is any conflict in their oversight of Toyota. "We take auto safety very seriously and base all decisions for investigations on the merits of the data regardless of who manufactures the vehicle," said Olivia Alair, spokeswoman for Transportation Secretary Ray LaHood.

Toyota has major car-assembly and engine plants in Indiana, Kentucky, Alabama and Texas, as well as in West Virginia, employing close to 18,000 people combined. The company has temporarily halted a $1.3 billion Prius factory in Mississippi that is meant to employ 2,000 workers.

U.S. Toyota officials insist they had no hand in the governors' missive, but they did applaud it afterward. Toyota officials also have been reaching out to lawmakers like Mr. Cuellar, who are worried that a sustained dent to Toyota's reputation could hurt jobs in their districts.

"I am concerned about the safety issue but at the same time I want to make sure that we balance this with jobs at a company that's been good for the United States," said Mr. Cuellar, the lone Texan on the House oversight committee, which plans to take on the Toyota recalls at a hearing Wednesday.

In Japan, some Toyota executives have privately questioned whether the U.S. government's majority ownership of GM has colored the Toyota investigation. GM is Toyota's largest competitor, both in the U.S. and overseas. One senior Japanese auto executive in the U.S. described the probe as "60% political," and asked whether federal regulators were "trying to help GM by vilifying Toyota."

Toyota's troubles have caused discomfort in congressional offices with ties to the auto maker. When **Ford Motor** Co. was embroiled in a recall furor a decade ago over Explorer rollovers, the Senate Commerce Committee—then chaired by Arizona Republican Sen. John McCain—swiftly launched an investigation and called top Ford executives to testify.

The current committee chairman, West Virginia Sen. Jay Rockefeller, has proceeded more cautiously in the case of Toyota, a company he spent years luring to his state. The auto giant has invested over $1 billion in West Virginia since 1995, and employs almost 1,200 people. The Democratic senator has a page on his Web site devoted to Toyota's role in the state.

—Norihiko Shirouzu and Josh Mitchell contributed to this article.

CORPORATE NEWS

Reuters

Russia's ESPO pipeline feeds oil from Siberia to the Kozmino terminal, above.

Russian pipeline raises competition

By Guy Chazan

Mideast oil producers are scrambling to protect their market share in Asia amid rising competition from a new source of supply—an oil blend from Russia called ESPO.

Gulf states have been reviewing their export strategies and pricing policies since the launch of the blend, named for the newly inaugurated East Siberia-Pacific Ocean pipeline through which it is delivered to Asian markets, traders and analysts say.

At issue is who will dominate the world's fastest-growing energy market. Oil consumption in the West is widely believed to have peaked, damped by economic recession, a shift to more-efficient vehicles and the growing use of biofuels. But demand is still growing in China. Producers are responding to that by shifting their attention away from their traditional export markets in the U.S. and Europe toward the East.

Although the quality of ESPO's crude is still largely untested, cargoes are finding plenty of willing buyers in Japan and South Korea.

Saudi exports to the U.S. fell to 745,000 barrels a day in August, the lowest level in almost 22 years, according to Platts, the energy-information service.

Meanwhile, so much Saudi crude is now flowing toward China that the country may soon replace the U.S. as the main market for Saudi Arabian crude.

Reflecting the Saudis' waning commitment to the U.S., state-owned oil giant **Saudi Aramco** in December gave up its lease on an oil-storage facility on the Caribbean island of St. Eustatius, which fed U.S. markets. It had held it since the mid-90s.

At the same time, Saudi Aramco and Abu Dhabi have signed deals to store stockpiles of oil in Japan, making it easier for them to supply Asia.

"Producers that supply the market on long-term contracts are taking steps to counter ESPO," said Jorge Montepeque, global director of market reports at Platt's.

Iran and Iraq have also taken steps to attract Asian customers by changing the way they sell their crude, he said. Currently, both countries trade on a "Free on Board" or FOB basis, meaning the buyer covers the cost of delivery. He said they are considering switching to a CIF, or cost, insurance and freight price, where the seller pays transportation costs to the importing country as well as insurance charges. This allows them to compete better with ESPO, Mr. Montepeque said.

Saudi Arabia also surprised the market this month by unexpectedly cutting the official selling price of its Arab Light blend of crude in March to customers in Asia. Some traders said it was a response to the challenge from ESPO.

ESPO blend was launched in December with the opening of Russia's new pipeline, a pet project of Prime Minister Vladimir Putin. Before then, almost all of Russia's oil flowed westward.

The pipeline brings crude produced by companies like OAO **Rosneft**, **TNK-BP** Ltd. and OAO **Surgutneftegaz** in new oil fields in East Siberia to Skovorodino near the Chinese border, from where it is sent by rail to Kozmino, Russia's new export terminal on the Pacific Ocean. An offshoot to China will be completed this year.

ESPO's current capacity of about 600,000 barrels of oil a day will rise to one million barrels a day in coming years as the pipeline is extended all the way to Kozmino.

Although the quality of ESPO's crude is still largely untested, cargoes are finding plenty of willing buyers in Japan and South Korea, such as **SK Energy** Co., a Seoul-based refiner. Kozmino is some three to four days' sailing time from North Asian refineries, while oil from the Gulf takes three weeks.

Critically, some cargoes are also finding their way to U.S. markets. Traders say U.S. refiner **Tesoro** Corp. and oil giant **Exxon Mobil** Corp have both bought ESPO crude. Exxon declined to comment; Tesoro wasn't available to comment.

The Russian government has encouraged producers to use ESPO by exempting East Siberian crude from oil-export duties. That has allowed the blend to be more competitively priced than some Middle Eastern grades.

However, some Russian officials have questioned the wisdom of the tax breaks, saying they will blow a hole in Russia's fragile public finances and should be abolished.

—Florence Tan contributed to this article.

ETHNIKI KEFALEOU S.A.
ADMINISTRATION OF ASSETS AND LIABILITIES
COMPANY OF THE "NATIONAL BANK OF GREECE" GROUP

CALL FOR EXPRESSION OF INTEREST IN PURCHASING ONE OR MORE "SISTERSHIP" AIRCRAFT OF "OLYMPIC AIRLINES S.A."

"ETHNIKI KEFALEOU S.A. Administration of Assets and Liabilities S.A." seated in Athens, Greece (9A Chryssospiliotissis str.- 105 60) ("the Liquidator"), in its capacity as liquidator of the company "OLYMPIC AIRLINES S.A." seated in Kallithea, Athens Greece (154 Syggrou Ave.) ("the Company"), which has been placed under special liquidation according to the provisions of article 14A of Law 3429/2005 of the Greek Parliament, by virtue of the Decision No.5714/2009 of the Athens Court of Appeal, invites Interested buyers to submit, within twenty (20) days following the publication hereof, a non-binding written Expression of Interest in purchasing **one or more Boeing 737-4Q8** aircraft equipped with a **CFM56-3C1 Engine** described below, which are being sold "as is, where is" and are parked in the Athens International Airport, Greece.

BRIEF INFORMATION ABOUT THE COMPANY

The Company was founded in 1991 under the name "OLYMPIAKES AERONAVLOSEIS S.A.". It was later renamed "MACEDONIAN AIRLINES S.A." and in 2003, having been further renamed "OLYMPIC AIRLINES S.A.", it acquired the flight sectors of "OLYMPIC AIRWAYS S.A." and "OLYMPIC AVIATION S.A.", as a special successor. The Company's corporate objectives include scheduled and non-scheduled flight operations for passengers, cargo and mail, the purchase and sale of aircraft, as well as objectives relevant to these aforementioned. The Company was placed under special liquidation according to the provisions of article 14A of Law 3429/2005 on 02.10.2009.

ASSETS OFFERED FOR SALE

The following **Boeing 737-4Q8** aircraft equipped with a **CFM56-3C1 Engine** are offered for sale on an individual basis.

No.	Aircraft	MSN	MAN. DATE	TOTAL HOURS	TOTAL CYCLES
1.	SX-BKB	25313	09/1991	53925	34472
2.	SX-BKA	25314	09/1991	53728	34372
3.	SX-BKC	25361	09/1991	54390	34395
4.	SX-BKD	25362	10/1991	54351	34686
5.	SX-BKE	25417	11/1991	55308	34651
6.	SX-BKF	25430	12/1991	55208	34721
7.	SX-BKG	27149	05/1993	50251	31739

SALE PROCEDURE

The sale will be conducted and effected by way of a public auction in accordance with the provisions of article 14A of Law 3429/2005, as in force and effect, and the terms specified in the Call for Tenders, which will be published in the press within the time period stipulated by law. This Call for Expression of Interest, the tendering procedure, as well as the sale and purchase agreement are governed by Greek law. For any dispute that may arise from or in connection with this Call, the courts of Athens, Greece, are specified as exclusively competent. The Liquidator reserves the right to annul this Call for Expression of Interest or the tendering procedure for one or more of the above aircraft.

SUBMISSION OF EXPRESSION OF INTEREST – OFFERING MEMORANDUM – INFORMATION

For the submission of Expression of Interest please contact the Liquidator "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", 9a Chryssospiliotissis Str. Athens 10560, GREECE, tel. +30.210.3340882-4, fax +30.210.3217905, e-mail address info@ethnikikefaleou.gr or the specified attorney-in-fact Mr. D. Georgarakis, tel. +30.210.3565300, fax +30.210.3565225, e-mail address chairman@olympicairlines.gr. Interested parties may obtain the offering memorandum describing the above aircraft, as well as any further information upon signing a Confidentiality Agreement. The Liquidator may refuse to provide any information for sufficient cause.

CORPORATE NEWS

PC makers ready their iPad rivals

By Justin Scheck And Nick Wingfield

Computer makers are developing strategies and devices to challenge **Apple** Inc.'s iPad, hoping to capitalize on new interest in a category of gadgets that was moribund until recently.

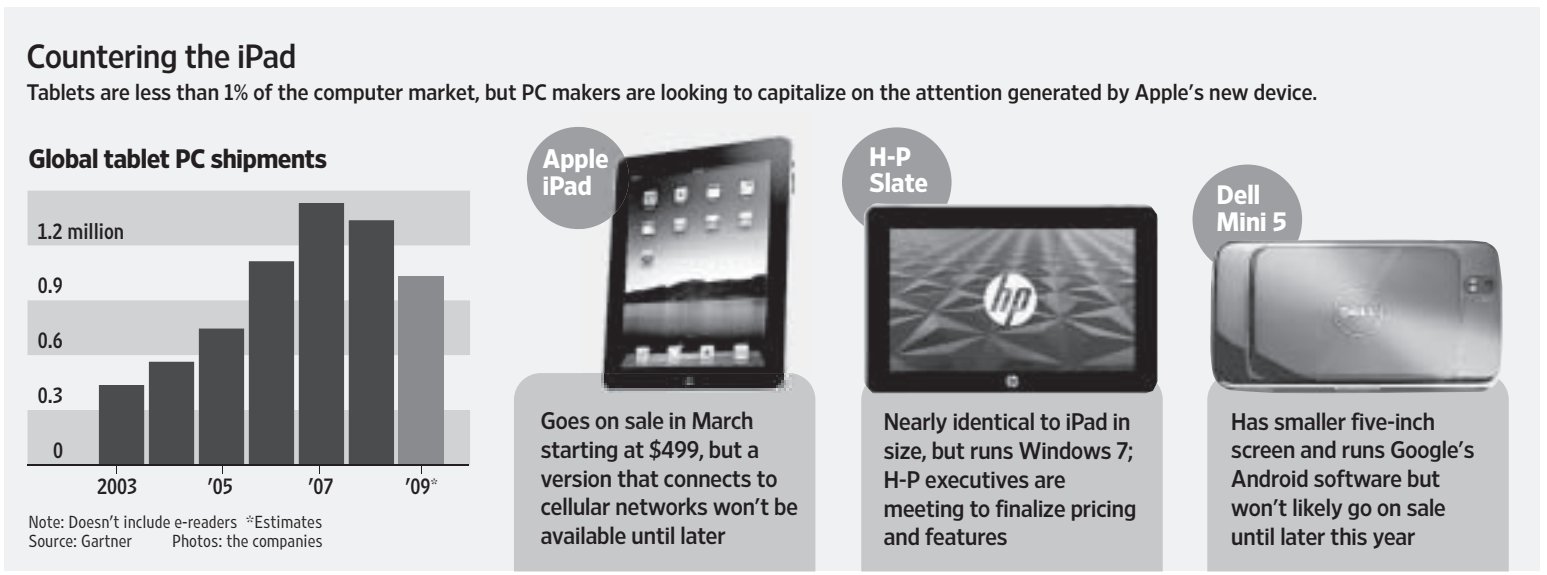
In the next few weeks, executives from **Hewlett-Packard** Co. will meet in the U.S. and Taiwan to tweak prices and features on an upcoming keyboardless computer dubbed the Slate, said two people familiar with the matter.

H-P has discussed selling a version of the Slate—similar to the iPad in size and features, and including a cellular connection—for a price below the $629 Apple charges for an equivalent iPad, one of these people said.

Executives at **Dell** Inc., **Acer** Inc. and **Sony** Corp. say they are all watching Apple as they refine their own products. And **Microsoft** Corp. has a secretive team working on a two-screen tablet device, according to people familiar with the matter.

"For us, the iPad launch is a benchmark," said Mike Abary, a vice president in Sony's Vaio PC division. He said Sony, which sells touch-screen e-book readers that have limited Internet access, is considering what new devices to develop.

For years, big hardware and software makers like H-P and Microsoft tried unsuccessfully to turn consumers on to touch-screen portable PCs, though some had keyboards and not all were called tablets. Today, touch-screen PCs with and without keyboards account for less than 1% of world-wide PC sales, according to market research firm Gartner.


Countering the iPad
Tablets are less than 1% of the computer market, but PC makers are looking to capitalize on the attention generated by Apple's new device.
Global tablet PC shipments
1.2 million
0.9
0.6
0.3
0
2003
'05
'07
'09*
Note: Doesn't include e-readers *Estimates
Source: Gartner Photos: the companies
Apple iPad
Goes on sale in March starting at $499, but a version that connects to cellular networks won't be available until later
H-P Slate
Nearly identical to iPad in size, but runs Windows 7; H-P executives are meeting to finalize pricing and features
Dell Mini 5
Has smaller five-inch screen and runs Google's Android software but won't likely go on sale until later this year

But the gadgets have gotten renewed attention since Apple Chief Executive Steve Jobs revealed the iPad last month. The device, with a 9.7-inch screen, no keyboard, and a wireless Internet hookup, is geared for navigating the Web, reading electronic books and running applications created by others. The iPad, which comes in models priced between $499 and $829, will start shipping in March.

PC companies are eager for a piece of any tablet market that emerges. With profit margins dwindling due to ongoing price wars, PC makers hope new touch-screen devices will sell for higher prices than mini-computers like netbooks, which have comparable components.

Sumit Agnihotry, a vice president of marketing at Acer, said the company—the world's second-largest PC maker—is developing products midway in size between a smart phone and a laptop, including an e-reader that will come out later this year. He calls it a "tweener category that we're all trying to figure out," adding that Acer might introduce more iPad-like devices.

Despite its past tablet flops, Microsoft has a group of designers who operate out of a little-known company incubation laboratory in Seattle called Alchemy Ventures, according to people familiar with the matter. The group has been working on a two-screen tablet, code-named Courier, these people said. Although early designs leaked onto blogs last year, it's unclear whether the company will introduce the gadget, these people added. A Microsoft spokesman declined comment.

There's still plenty of skepticism about whether PC companies have the right products to compete against the iPad. Many of the products risk being seen as "computers without keyboards," in part because many of them run an operating system, Microsoft's Windows 7, which is primarily aimed at traditional PC functions, said Forrester Research analyst James McQuivey. In contrast, the iPad's software, which borrows heavily from the iPhone, is more tailored for consuming media on the go, he said.

Although H-P announced its Slate a few weeks before the iPad, the company decided to wait for the iPad's unveiling before selling the Slate so it could see Apple's device "and tweak things," such as pricing, said one of the people familiar with the matter.

An H-P spokeswoman said the company has been developing touch technology for decades, and improved pricing and software make the consumer market ripe for new keyboardless devices this year.

Long before the iPad was announced, Dell decided to head in a different direction. John Thode, a Dell vice president in charge of portable devices, said the company predicted Apple wouldn't do a small-screen tablet since it already offered the 3.5-inch screen iPod Touch.

So after doing consumer research in 2008 that showed customers would buy Web-surfing gadgets with a five-inch screen, Mr. Thode said, Dell began developing a tablet dubbed the Mini 5.

The device, which Dell unveiled in January, will likely go on the market this year using **Google** Inc.'s Android software.

H-P net rises 25% on PC sales

By Justin Scheck

Hewlett-Packard Co.'s quarterly profit jumped 25% amid surging computer sales, the latest signal that the tech-spending crunch is over and raising expectations for rival **Dell** Inc., which reports results Thursday.

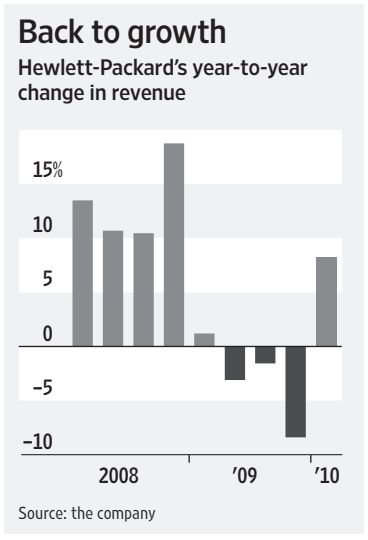
In a sign of confidence, H-P boosted its fiscal-year revenue goal to a range of $121.5 billion to $122.5 billion, up from an earlier prediction of $118 billion to $119 billion.

H-P, the world's largest maker of computers, reported its global PC unit shipments jumped 26% in its quarter that included the holiday shopping season, as consumers bought machines running Windows 7, the newest version of **Microsoft** Corp.'s software.

Mark Hurd, H-P's chief executive, said on a conference call the company gained share in the PC, server and printer markets during the quarter, but it was too soon to "make a call" on the outlook for spending on technology for the year.

The company's PC division saw a 20% revenue increase and managed to keep profit margins steady. Cathie Lesjak, H-P's chief financial officer, said PC prices stabilized from early 2009, when prices were rapidly declining.

Overall, H-P's quarterly revenue totaled $31.18 billion, up 8.2% from $28.81 billion a year earlier and the first time in a year that the company posted sales growth. Its profit rose to $2.32 billion, or 96 cents a share, up from $1.86 billion, or 75 cents a share, a year earlier.



H-P is seen as a tech-industry bellwether since its businesses include PCs, tech services and printers. For the quarter, gains in the company's hardware businesses offset flat sales at its technology services and software businesses.

H-P's positive earnings come two weeks after networking giant **Cisco Systems** Inc. reported revenue growth for the first time since early 2009. Since last fall, the tech economy has been "continuously improving," said Lou Miscioscia, an analyst with Collins Stewart.

Ms. Lesjak said H-P has seen particular improvement in China, and that the U.S. market seems to be recovering. But she said Europe has been inconsistent so far.

Along with its strong PC sales, H-P's printing division also exceeded analysts' expectations and helped relieve some Wall Street concerns about a recent decline in printer revenue. The division reported a 4% revenue increase, with commercial printer unit sales up 11% and consumer shipments rising 18%. Mr. Hurd said the printer division could have sold more units but had supply problems.

H-P's services division, which runs computer systems for large corporate and government clients, reported a 1% revenue drop to $8.7 billion, though operating profit rose 27%. H-P has been cutting costs in the division, which has been absorbing Electronic Data Systems, which H-P bought in 2008.

H-P's performance raises expectations for Dell, which fell from the world's largest PC maker by units several years ago to number three. It now trails H-P and **Acer** Inc. Dell has said it's focusing on improving its profits, rather than participating in price wars. As a result, its PC shipments have lagged rivals.

When Dell reports earnings Thursday, investors will be looking for it to show improved profit margins as well as a plan to compete with companies like H-P in tech services. Dell acquired Perot Systems Corp. last year for $3.9 billion to build up a services division.

—Ben Charny contributed to this article.

India scrutinizes U.S. company over its connections to Pakistan

Continued from page 15

eavesdropping if the foreign vendor is allowed to manage number portability, the notes say.

In an emailed statement, Anuj Kapur, Telcordia's India country head, said the company's only business in Pakistan has been the sale of its standard "clearinghouse" software that helps cellphone companies coordinate user requests for carrying numbers to a new service. Mr. Kapur said the company has responded to the Indian government's questions and "hopes that after due consideration, the matter would be resolved in Telcordia's favor." He said Telcordia is open to "any sort of inspection" by Indian security agencies. A spokesman for the Home Ministry didn't respond to a request for comment.

India has allowed in other telecom companies that have operations in Pakistan. Norway's **Telenor Group**, for example, operates one of Pakistan's largest wireless carriers and is the majority stakeholder in an Indian startup, **Unitech Wireless**. Given that, "It's hard to make an argument that Telcordia shouldn't be allowed in," said Harit Shah, a telecom analyst at Angel Broking in Mumbai.

The move to block Telcordia comes as India and Pakistan prepare for their first official diplomatic talks since the Mumbai terrorist attacks of November 2008. The talks are to begin Feb. 25 in New Delhi.

The nuclear-armed neighbors have been at loggerheads for years over the disputed Himalayan territory of Kashmir and terrorism, but they've periodically made progress in economic and trade relations.

The Telcordia issue threatens to further delay number portability in India, which the government has already pushed back three months to a March 31 deadline because some carriers say they aren't yet equipped to make the switch.

Some analysts say the industry is simply dragging its feet. "There are operators with a vested interest to push this back," said Kunal Bajaj, managing director of telecom consulting firm BDA in New Delhi.

Number portability would be a boon to India's 525 million cellphone users, making it smoother for them to switch providers and thereby demand better service from their existing carriers. But it could mean new costs for carriers to improve service and retain customers.

Calls to the Cellular Operators Association of India, a trade group that represents carriers such as **Bharti Airtel** Ltd. and **Vodafone Essar** Ltd., weren't answered.

Telcordia has had a subsidiary in India since 2006 that sells services such as a billing platform for prepaid cellphones. The Indian government required that the company have a local partner to provide number portability services, so Telcordia proposed a joint venture in which it would control 74% of the equity and India's **Deepak Talwar Consultants** Pvt. Ltd. would control the rest.

ASX's profit declines 2.3%

First-half result tops expectations; CEO says early 2010 business levels point to growth

By Rachel Pannett

Australian stock-exchange operator **ASX** Ltd. posted a 2.3% drop in fiscal first-half net profit as interest income fell sharply from the abnormally high levels seen during the height of the global financial crisis.

But the result beat analysts' expectations and showed signs that investor confidence and risk appetite are returning, in line with a recovery in the broader Australian economy.

ASX Chief Executive Robert Elstone said Thursday that early 2010 activity levels point to full-year cash earnings growth translating into full-year net-profit growth, "as long as global headwinds don't dampen the recovery strength of the domestic economy or trigger a second round of aftershocks in the global banking system."

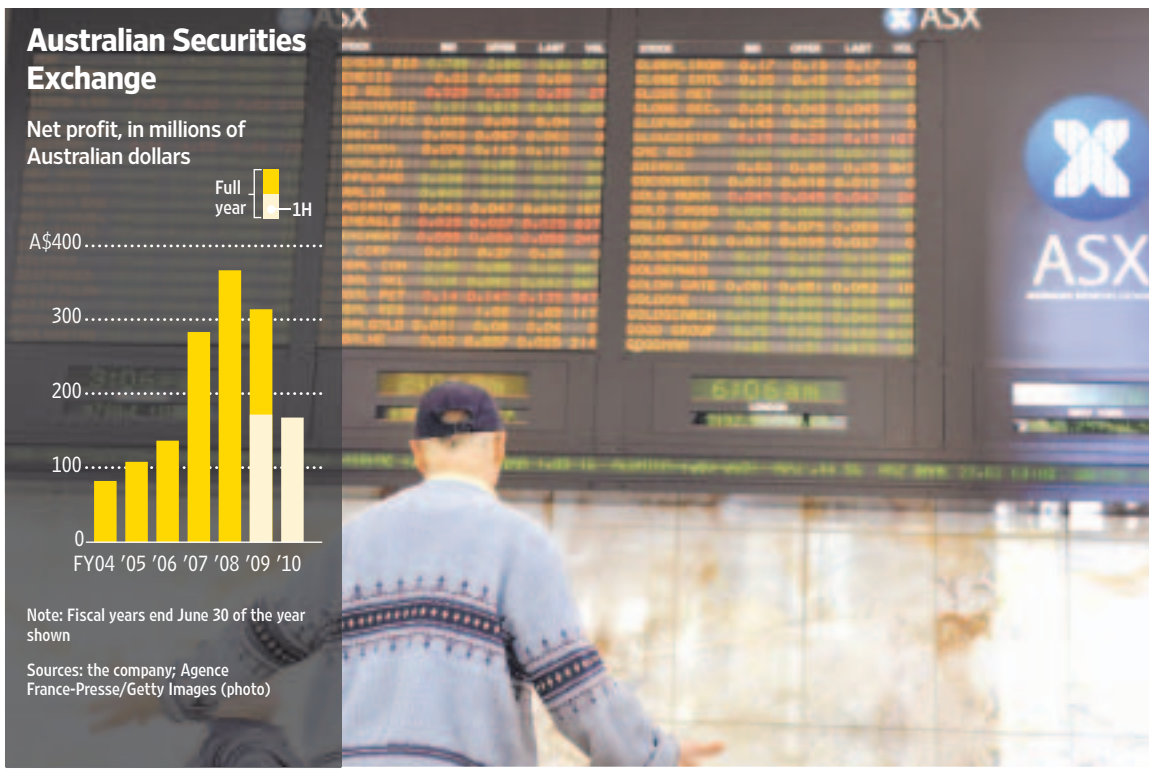
The Sydney-based company said net profit for the six months to Dec. 31, including significant items, fell to 168 million Australian dollars (US$151 million) from A$171.9 million the prior year.

The average estimate of five analysts polled by Dow Jones Newswires was for a first-half net profit of A$161.8 million, with estimates ranging from A$156.1 million to A$166.5 million.

Shares in ASX closed up 3% at A$36.92.

Operating revenue for the half climbed 5.7% to A$302.8 million from A$286.3 million a year earlier. Earnings before interest, tax, depreciation and amortization rose 8.5% to A$234.6 million, returning to levels reached before the global financial crisis.

The earnings growth was attributed to a number of factors, including stronger inflows of foreign capital drawn in part by widening interest-rate differentials between Australia and the rest of the developed world and upbeat commentary about Australia's economic prospects.



Listings activities also are "recovering somewhat," Mr. Elstone said, though he expects the mix of secondary capital raising activity to shift from large-capitalization stocks to more midcap and small-cap stocks in the second half.

"I don't think we'll see a rerun in the second half of what we saw in the first half in terms of the quantum of capital raised, but it'll be more diversified probably across a larger number of smaller companies," he said.

However, he said there is a degree of uncertainty, especially around government proposals to change the structure of equity markets in Australia, possible tax changes emerging from a review of the tax system by Treasury Secretary Ken Henry, and broader regulatory overhauls of the global banking sector.

Australia's center-left Labor government this month introduced into Parliament legislation that, if passed into law, would see the Australian Securities & Investments Commission take over supervision of real-time trading on the country's financial markets in a move that clears the way for the government to consider ending ASX's near-monopoly on exchange trading.

Preparations for the change of supervision responsibilities already are under way, with ASX booking a A$3.7 million pretax charge against the transfer in the first half. The full-year charge will rise to between A$7 million and A$11 million, mainly comprising staff redundancy and retention costs, write-off or accelerated amortization of market supervision systems that are no longer required, and legal and advisory services related to the transfer, Chief Financial Officer Alan Bardwell told analysts in a conference call.

Mr. Elstone said it is too soon, however, to speculate about potential government compensation for the transfer costs.

ASX will pay an interim dividend of 89.1 cents a share, compared with 90.4 cents a year earlier. Analysts had forecast a dividend of 82 cents to 87.5 cents.

AMP still interested in AXA Asia Pacific

By Cynthia Koons And Lyndal McFarland

SYDNEY—**AMP** Ltd., Australia's second-largest fund manager, remains interested in **AXA Asia Pacific Holdings** Ltd. and is currently assessing its next move, AMP Chief Executive Craig Dunn said.

"AXA remains strategically attractive to us," said Mr. Dunn as he unveiled a 27% increase in the company's full-year net profit. "We are continuing to consider our position and will do what is in the best interest of our shareholders."

AMP was trumped in its bid for AXA Asia Pacific Holdings by a 14.2 billion Australian dollar (US$12.78 billion) offer from **National Australia Bank** Ltd., which won over AXA Asia Pacific's board.

NAB is now talking to AXA Asia Pacific's biggest shareholder, **AXA** SA, which had originally agreed to back AMP's offer and take the Asian operations.

The potential battle for AXA Asia Pacific comes amid consolidation in the wealth-management industry as companies seek advantages of scale. The Australian Competition and Consumer Commission is assessing both offers for AXA Asia Pacific.

Bloomberg News

AMP's Craig Dunn: 'There's still a long way to go' in the Axa Asia Pacific sale.

"There's a long way for that transaction to go," Mr. Dunn told reporters. "We're in no hurry."

He noted that the competition commission is taking both proposals from AMP and NAB "very seriously."

He said AMP is working through AXA Asia Pacific's results as it determines its next steps.

RBS analysts said in a note published Thursday that they expect AMP to come back with a higher offer for AXA Asia Pacific.

NAB has offered 6.43 Australian dollars in cash, or a combination of cash and shares, for each AXA Asia Pacific share. RBS said it reckons that AMP can offer 6.80 Australian dollars a share in cash, partially funded by a share sale, and still have the deal make financial sense.

But AMP is unlikely to make a move before the competition commission delivers its verdict on NAB's offer, expected March 18, RBS said.

AMP said its annual net profit rose to A$739 million from A$580 million a year earlier on improved investment returns. It kept its dividend steady at 16 cents a share. Underlying profit, which removes investment-market volatility, fell 5% to A$772 million.

Its stock fell 1.8% as earnings came in on the lower side of market expectations.

"This robust result, delivered in a very difficult business environment, reflects good earnings diversity, tight cost control, resilient net cash flows and early signs of success from our continued investment in growth initiatives," Mr. Dunn said in a statement.

The group's revenue from ordinary activities came in at A$10.92 billion, after a loss of A$10.97 billion a year earlier on the back of net investment losses of A$13.84 billion.

Wednesday, AXA Asia Pacific said it swung to a A$679.2 million net profit from a A$278.7 million loss in 2008. Its shares rose 0.9% Thursday.

Galleon criminal trial set for Oct. 25

By Chad Bray

NEW YORK—**Galleon Group** founder Raj Rajaratnam and a co-defendant will go to trial Oct. 25 on criminal insider-trading charges, a U.S. judge ruled.

U.S. District Judge Richard J. Holwell in Manhattan said he would prefer the criminal trial be heard before a separate civil case brought by the Securities and Exchange Commission. That case is scheduled for Aug. 2.

The judge said that, given the size and complexity of the case, he agreed with defense counsel that the criminal case should be heard in the autumn.

GALLEON CASE

"Six months is just ludicrous to try to defend a case of this enormity," said John Dowd, a lawyer for Mr. Rajaratnam.

Prosecutors from the U.S. Attorney's office in Manhattan had asked that the case be heard in June, six months after the first indictment in the case. Mr. Rajaratnam and Danielle Chiesi, a former consultant with hedge-fund firm **New Castle Funds** LLC, were originally arrested in the matter in October.

The judge said that given the size and complexity of the case, lawyers needed more time to prepare.

Alan Kaufman, Ms. Chiesi's lawyer, said being able to appropriately defend a case of this complexity in that amount of time would be "a physical impossibility."

Mr. Rajaratnam and Ms. Chiesi also pleaded not guilty to a 19-count superseding indictment in the case. They have been charged with conspiracy and securities fraud.

Prosecutors from the U.S. Attorney's office in Manhattan have alleged that Mr. Rajaratnam was at the center of an insider-trading ring that generated millions of dollars in improper trades. Prosecutors have claimed the scheme topped $49 million.

Mr. Dowd said that the defendants would be willing to agree to a delay in the SEC case or even consent to the case being dismissed without prejudice, so it could be brought again at a later date, in order to allow the criminal case to go first.

However, it isn't clear if U.S. District Judge Jed S. Rakoff in Manhattan, who is overseeing the civil case, would be willing to agree to a delay. He has repeatedly said the August trial date is "firm" and routinely pushes for cases before him to be tried quickly.

Wiretap recordings are expected to be a key part of the evidence in the criminal case. Lawyers for Mr. Rajaratnam and Ms. Chiesi have indicated they plan to move to suppress many of those recordings. In the civil case, Judge Rakoff ordered that Mr. Rajaratnam and Ms. Chiesi provide copies of the wiretaps, received from prosecutors, to the SEC.

Treasurys flip-flop on factory report

By Kelly Nolan

NEW YORK—Treasurys reversed early gains Thursday as data continued to point to a strengthening economic recovery.

U.S. CREDIT MARKETS

The latest evidence came from the Philadelphia Federal Reserve's manufacturing survey, which came in at 17.6, better than the 15 reading expected in a Dow Jones Newswires survey, suggesting the U.S. economy could be gaining some footing.

In late-morning trade, the two-year Treasury note was up 1/32 to 100 2/32 to yield 0.843%, while the 10-year note was down 5/32 at 98 28/32 to yield 3.761%. The 30-year bond was down 7/32 at 98 12/32, yielding 4.727%.

The data "continues to support the idea that the economy is improving," said John Flahive, director of fixed-income investments at BNY Mellon Wealth Management. "There's growing concern the Federal Reserve will eventually tighten, and these economic numbers suggest they have to do something sooner rather than later."

Treasurys had been higher following a weaker-than-expected weekly jobless-claims report, but they later reversed those gains as market participants digested the data and began to question whether recent inclement weather had affected the reading.

Japan yields flat ahead of BOJ

By Takashi Mochizuki

TOKYO—Japanese government-bond yields were essentially flat Thursday as traders and investors awaited a Bank of Japan news conference after the market close.

BOND MARKETS

The benchmark 10-year yield held steady at 1.32%.

At the news conference, central bank Gov. Masaaki Shirakawa rejected the government's call for a specific inflation target. Any support for a target could have boosted bonds, sending yields lower, because it could suggest additional policy measures to combat deflation.

During parliamentary testimony Tuesday, Finance Minister Naoto Kan said the government and the Bank of Japan are aiming for domestic prices to rise by about 1% annually, the first time the incumbent government has given a specific target for inflation. Mitsubishi UFJ Securities analyst Katsutoshi Inadome said the remark was "another clear pressure on the BOJ from Kan."

Euro moves up as yen holds onto its gains

By Fabio Alves

The euro and commodities-influenced currencies erased some losses after investors said U.S. weekly jobless claims data weren't as bad as they first appeared, fueling demand for stocks and other riskier assets.

The yen remained a strong performer among major currencies after the Bank of Japan left interest rates unchanged.

CURRENCY MARKETS

"This suggests that further policy measures from the BOJ may be in the offing in the months ahead," said Jane Foley, a research director at Forex.com in London.

The euro, New Zealand and Australian currencies moved higher against some other currencies.

At first, a flight to the perceived safety of the dollar and the yen intensified as a knee-jerk reaction to data that showed U.S. initial claims for jobless benefits in the U.S. rose by 31,000, to 473,000, in the week ended Saturday. Economists had forecast an increase of 5,000.

Thursday's report reflects data collected during the week that blizzards dumped record amounts of snow on many U.S. cities along the East Coast.

"The jobless claims number initially looked like pretty bad ... but we find it very hard to believe that the weather didn't have an impact," said Jacob Oubina, a currency analyst at Forex.com in Bedminster, N.J. "Also, there's some profit-taking going on after the pretty significant decline in the euro."

Investor appetite for growth-sensitive assets also got a boost from better-than-expected manufacturing data reported by the Federal Reserve Bank of Philadelphia.

Late morning in New York, the euro was at $1.3579 from $1.3607 late Wednesday. The dollar was at 91.38 yen from 91.21 yen, while the euro was at 124.08 yen, from 124.11 yen. The U.K. pound was at $1.5602 from $1.5680. The dollar was at 1.0798 Swiss francs, from 1.0779 francs.

In other currencies, the Russian central bank moved the ruble's trading band lower Thursday for the first time since November, allowing the currency to gain strength.

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3	**CS EF (Lux) USA Value B**	Credit Suisse Eq Fd Management Company	USD	Luxembrg	**-1.66**	80.79	-2.87	1.42
1	**Hotchkis Wiley US Value Universal A**	Universal-Investment GmbH	EUR	Germany	**-5.00**	77.12	-20.65	-7.28
2	**Abrias US Equity Selection B**	Abrias Investment Management AG	USD	Luxembrg	**2.00**	70.12	-5.94	NS
2	**Vanguard US Value Inv USD**	Vanguard Investment Europe Sa	USD	Ireland	**0.77**	69.71	-10.18	NS
1	**Brandes US Equities A €**	Brandes Investment Funds P.L.C.	EUR	Ireland	**0.73**	67.02	-20.84	-9.21
2	**Yelsen EEUU Valor FI**	Renta 4 Gestora	EUR	Spain	**-5.97**	66.95	-9.26	-2.18
NS	**Neuberger Berman Straus US Eq Adv USD**	Neuberger Berman Europe Limited	USD	Ireland	**1.03**	65.93	-8.85	NS
3	**Russell II US Value B**	Frank Russell Investment Company Plc	USD	Ireland	**1.13**	60.11	-12.32	-1.43
2	**Russell II US Value A**	Frank Russell Investment Company Plc	USD	Ireland	**1.06**	60.08	-13.00	-2.52
NS	**Pru IOF North American Value A**	Prudential Asset Mgmnt (Singapore) Ltd	USD	Luxembrg	**-2.51**	58.25	-13.04	NS

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW Top-Div.Int.	GL	EQ	LUX	02/17	EUR	49.64	-9.1	22.8	-24.7

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Am Eq Blend A	OT	OT	LUX	02/17	USD	10.18	-1.8	41.4	-11.2
Am Eq Blend B	US	EQ	LUX	02/17	USD	9.56	-1.9	40.2	-12.1
Am Growth A	US	EQ	LUX	02/17	USD	30.15	-3.5	40.6	-1.3
Am Growth AX	US	EQ	LUX	02/17	USD	32.57	-3.4	41.4	-0.8
Am Growth B	US	EQ	LUX	02/17	USD	25.32	-3.6	39.2	-2.3
Am Growth C	US	EQ	LUX	02/17	USD	27.27	-3.5	40.0	-1.7
Am Growth I	US	EQ	LUX	02/17	USD	33.45	-3.4	41.7	-0.5
Am Income A	US	BD	LUX	02/17	USD	8.42	-0.1	24.9	6.0
Am Income A2	OT	OT	NA	02/17	HKD	148.83	0.6	25.5	6.2
Am Income A2	US	BD	LUX	02/17	USD	19.16	0.6	25.5	6.2
Am Income AT	OT	OT	NA	02/17	HKD	65.40	0.6	25.5	6.2
Am Income AT	US	BD	LUX	02/17	USD	8.42	0.6	25.5	6.2
Am Income B	US	BD	LUX	02/17	USD	8.42	-0.1	24.0	5.2
Am Income B2	OT	OT	NA	02/17	HKD	128.17	0.5	24.6	5.5
Am Income B2	US	BD	LUX	02/17	USD	16.50	0.5	24.6	5.5
Am Income BT	OT	OT	NA	02/17	HKD	65.79	0.1	24.2	5.3
Am Income BT	US	BD	LUX	02/17	USD	8.47	0.1	24.2	5.3
Am Income C	US	BD	LUX	02/17	USD	8.42	-0.1	24.3	5.5
Am Income C2	US	BD	LUX	02/17	USD	24.54	0.6	24.9	5.7
Am Income I	US	BD	LUX	02/17	USD	8.42	-0.1	25.6	6.6
Am Value A	US	EQ	LUX	02/17	USD	8.50	-0.4	28.2	-10.6
Am Value B	US	EQ	LUX	02/17	USD	7.82	-0.4	26.9	-11.5
Am Value C	US	EQ	LUX	02/17	USD	8.50	-0.4	27.6	-11.0
Am Value I	US	EQ	LUX	02/17	USD	9.16	-0.2	29.2	-9.9
Emg Mkts Debt A	GL	BD	LUX	02/17	USD	15.46	-0.6	44.9	7.8
Emg Mkts Debt A2	GL	BD	LUX	02/17	USD	20.15	0.2	45.8	8.1
Emg Mkts Debt AT	GL	BD	LUX	02/17	USD	15.55	-0.3	45.0	7.9
Emg Mkts Debt B	GL	BD	LUX	02/17	USD	15.46	-0.6	43.7	6.8
Emg Mkts Debt B2	GL	BD	LUX	02/17	USD	19.38	0.1	44.3	7.1
Emg Mkts Debt BT	GL	BD	LUX	02/17	USD	15.52	-0.4	43.6	6.8
Emg Mkts Debt C	GL	BD	LUX	02/17	USD	15.46	-0.6	44.4	7.3
Emg Mkts Debt C2	GL	BD	LUX	02/17	USD	19.79	0.2	45.1	7.6
Emg Mkts Debt I	GL	BD	LUX	02/17	USD	15.46	-0.6	45.6	8.3
Emg Mkts Growth A	GL	EQ	LUX	02/17	USD	32.99	-4.8	79.8	-11.9
Emg Mkts Growth B	GL	EQ	LUX	02/17	USD	27.93	-4.9	78.0	-12.7
Emg Mkts Growth C	GL	EQ	LUX	02/17	USD	28.58	-4.9	79.0	-12.3
Emg Mkts Growth I	GL	EQ	LUX	02/17	USD	36.61	-4.7	81.2	-11.1
Eur Growth A	OT	OT	LUX	02/17	USD	9.41	-1.6	30.6	-13.6
Eur Growth A	OT	OT	LUX	02/17	EUR	6.92	-1.6	30.6	-13.6
Eur Growth B	OT	OT	LUX	02/17	EUR	6.22	-1.6	29.3	-14.5
Eur Growth B	OT	OT	LUX	02/17	USD	8.46	-1.6	29.3	-14.5
Eur Growth C	EU	EQ	LUX	02/17	EUR	5.24	-1.7	30.0	-14.0
Eur Growth I	OT	OT	LUX	02/17	USD	10.26	-1.6	31.5	-13.0
Eur Growth I	OT	OT	LUX	02/17	EUR	7.55	-1.6	31.5	-13.0
Eur Income A	OT	OT	LUX	02/17	EUR	6.65	0.8	41.0	6.1
Eur Income A	OT	OT	LUX	02/17	USD	9.04	0.8	41.0	6.1
Eur Income A2	OT	OT	LUX	02/17	EUR	13.06	1.5	41.6	6.3
Eur Income A2	OT	OT	LUX	02/17	USD	17.76	1.5	41.6	6.3
Eur Income AT	EU	BD	LUX	02/17	EUR	6.65	1.6	41.7	6.3
Eur Income B	OT	OT	LUX	02/17	EUR	6.65	0.8	40.2	5.4
Eur Income B	OT	OT	LUX	02/17	USD	9.04	0.8	40.2	5.4
Eur Income B2	OT	OT	LUX	02/17	EUR	12.14	1.4	40.7	5.5
Eur Income B2	OT	OT	LUX	02/17	USD	16.50	1.4	40.7	5.5
Eur Income BT	EU	BD	LUX	02/17	EUR	6.65	0.9	40.0	5.3
Eur Income C	OT	OT	LUX	02/17	EUR	6.65	0.8	40.5	5.6
Eur Income C	OT	OT	LUX	02/17	USD	9.04	0.8	40.5	5.6
Eur Income C2	OT	OT	LUX	02/17	USD	13.02	1.5	41.1	5.9
Eur Income C2	OT	OT	LUX	02/17	USD	17.70	1.5	41.1	5.9
Eur Income I	OT	OT	LUX	02/17	EUR	6.65	0.8	41.6	6.6
Eur Income I	OT	OT	LUX	02/17	USD	9.04	0.8	41.6	6.6
Eur Strat Value A	OT	OT	LUX	02/17	EUR	8.28	-2.9	32.9	-16.7
Eur Strat Value A	OT	OT	LUX	02/17	USD	11.26	-2.9	32.9	-16.7
Eur Strat Value I	OT	OT	LUX	02/17	EUR	8.49	-2.9	33.9	-15.9
Eur Strat Value I	OT	OT	LUX	02/17	USD	11.54	-2.9	33.9	-15.9
Eur Value A	OT	OT	LUX	02/17	EUR	8.91	-3.2	36.0	-13.4
Eur Value A	OT	OT	LUX	02/17	USD	12.11	-3.2	36.0	-13.4
Eur Value B	OT	OT	LUX	02/17	USD	11.12	-3.3	34.8	-14.3
Eur Value B	OT	OT	LUX	02/17	EUR	8.18	-3.3	34.8	-14.3
Eur Value C	OT	OT	LUX	02/17	EUR	8.61	-3.1	35.6	-13.8
Eur Value C	OT	OT	LUX	02/17	USD	11.71	-3.1	35.6	-13.8
Eur Value I	OT	OT	LUX	02/17	USD	14.00	-3.0	37.2	-12.7
Eur Value I	OT	OT	LUX	02/17	EUR	10.30	-3.0	37.2	-12.7
Gl Balanced (Euro) A	OT	OT	LUX	02/17	USD	15.53	-0.4	27.7	-8.6
Gl Balanced (Euro) B	OT	OT	LUX	02/17	USD	15.10	-0.5	26.4	-9.5
Gl Balanced (Euro) C	OT	OT	LUX	02/17	USD	15.39	-0.5	27.3	-8.9
Gl Balanced (Euro) I	OT	OT	LUX	02/17	USD	15.82	-0.3	NS	NS
Gl Balanced A	US	BA	LUX	02/17	USD	16.14	-2.1	32.7	-8.8
Gl Balanced B	US	BA	LUX	02/17	USD	15.33	-2.2	31.5	-9.7
Gl Balanced C	OT	OT	LUX	02/17	USD	15.89	-2.2	32.3	-9.1
Gl Balanced C	OT	OT	LUX	02/17	EUR	11.69	-2.2	32.3	-9.1
Gl Balanced I	US	BA	LUX	02/17	USD	16.75	-2.0	33.6	-8.2
Gl Bond A	US	BD	LUX	02/17	USD	9.32	0.9	14.4	4.7
Gl Bond A2	OT	OT	NA	02/17	HKD	126.15	1.4	14.9	4.9
Gl Bond A2	US	BD	LUX	02/17	USD	16.24	1.4	14.9	4.9
Gl Bond AT	OT	OT	LUX	02/17	HKD	72.39	1.1	14.4	4.7
Gl Bond AT	US	BD	LUX	02/17	USD	9.32	1.1	14.4	4.7
Gl Bond B	US	BD	LUX	02/17	USD	9.32	0.9	13.4	3.7
Gl Bond B2	OT	OT	NA	02/17	HKD	110.30	1.3	13.6	3.9
Gl Bond B2	US	BD	LUX	02/17	USD	14.20	1.3	13.6	3.9
Gl Bond BT	OT	OT	LUX	02/17	HKD	72.71	1.1	13.4	3.8
Gl Bond BT	US	BD	LUX	02/17	USD	9.36	1.1	13.4	3.8
Gl Bond C	US	BD	LUX	02/17	USD	9.32	0.9	13.9	4.3
Gl Bond C2	US	BD	LUX	02/17	USD	14.08	1.4	14.3	4.4
Gl Bond I	US	BD	LUX	02/17	USD	9.32	0.9	14.9	5.3
Gl Conservative A	US	BA	LUX	02/17	USD	14.79	-0.5	20.5	-3.0
Gl Conservative A2	US	BA	LUX	02/17	USD	16.84	-0.5	20.5	-3.0
Gl Conservative B	US	BA	LUX	02/17	USD	14.77	-0.6	19.4	-4.0
Gl Conservative B2	US	BA	LUX	02/17	USD	15.98	-0.7	19.3	-4.0
Gl Conservative C	US	BA	LUX	02/17	USD	14.78	-0.5	20.1	-3.4
Gl Conservative C2	US	BA	LUX	02/17	USD	16.46	-0.6	20.1	-3.4
Gl Conservative I	US	BA	LUX	02/17	USD	14.88	-0.4	21.6	-2.2
Gl Eq Blend A	GL	EQ	LUX	02/17	USD	11.15	-4.4	44.6	-18.5
Gl Eq Blend B	GL	EQ	LUX	02/17	USD	10.45	-4.6	43.2	-19.3
Gl Eq Blend C	GL	EQ	LUX	02/17	USD	10.94	-4.5	43.9	-18.9
Gl Eq Blend I	GL	EQ	LUX	02/17	USD	11.77	-4.3	45.7	-17.8
Gl Growth A	GL	EQ	LUX	02/17	USD	40.26	-3.9	40.0	-19.1
Gl Growth B	GL	EQ	LUX	02/17	USD	33.56	-4.1	38.6	-19.9
Gl Growth C	GL	EQ	LUX	02/17	USD	38.61	-4.0	39.4	-19.5
Gl Growth I	GL	EQ	LUX	02/17	USD	44.74	-3.8	41.1	-18.5
Gl High Yield A	US	BD	LUX	02/17	USD	4.31	-0.5	57.3	5.9
Gl High Yield A2	OT	OT	NA	02/17	HKD	72.32	0.5	58.3	6.1
Gl High Yield A2	US	BD	LUX	02/17	USD	9.31	0.5	58.3	6.1
Gl High Yield AT	US	BD	LUX	02/17	USD	4.28	0.7	58.3	6.2
Gl High Yield AT	OT	OT	NA	02/17	HKD	33.25	0.7	58.3	6.2
Gl High Yield B	US	BD	LUX	02/17	USD	4.31	-0.5	55.5	4.6
Gl High Yield B2	OT	OT	NA	02/17	HKD	116.05	0.4	56.6	5.0
Gl High Yield B2	US	BD	LUX	02/17	USD	14.94	0.4	56.6	5.0
Gl High Yield BT	OT	OT	NA	02/17	HKD	33.79	-0.2	55.8	4.7
Gl High Yield BT	US	BD	LUX	02/17	USD	4.35	-0.2	55.8	4.7
Gl High Yield C	US	BD	LUX	02/17	USD	4.31	-0.5	56.5	5.3
Gl High Yield C2	US	BD	LUX	02/17	USD	13.79	0.5	57.6	5.6
Gl High Yield I	US	BD	LUX	02/17	USD	4.31	-0.5	58.3	6.5
Gl Thematic Res. A	OT	OT	LUX	02/17	USD	14.29	-3.0	78.8	0.0
Gl Thematic Res. B	OT	OT	LUX	02/17	USD	12.48	-3.2	77.0	-1.0
Gl Thematic Res. I	OT	OT	LUX	02/17	USD	15.95	-2.9	80.2	0.8
Gl Value A	GL	EQ	LUX	02/17	USD	10.60	-4.8	49.5	-17.9
Gl Value B	GL	EQ	LUX	02/17	USD	9.73	-5.0	48.1	-18.6
Gl Value C	GL	EQ	LUX	02/17	USD	10.30	-4.9	49.1	-18.2
Gl Value I	GL	EQ	LUX	02/17	USD	11.29	-4.7	50.9	-17.2
Greater China A	AS	EQ	LUX	02/17	USD	37.79	-5.6	61.5	-12.8
Greater China B	AS	EQ	LUX	02/17	USD	33.40	-5.7	59.9	-13.7
Greater China C	AS	EQ	LUX	02/17	USD	37.29	-5.6	60.7	-13.2
India Growth A	OT	OT	LUX	02/17	USD	122.73	-3.3	NS	NS
India Growth AX	OT	OT	LUX	02/17	USD	107.32	-3.3	82.1	-6.2
India Growth B	OT	OT	LUX	02/17	USD	128.41	-3.4	NS	NS
India Growth BX	OT	OT	LUX	02/17	USD	91.62	-3.4	80.3	-7.1
India Growth I	EA	EQ	LUX	02/17	USD	111.29	-3.2	82.9	-5.8
Int'l Health Care A	OT	EQ	LUX	02/17	USD	138.06	0.4	20.7	-5.4
Int'l Health Care B	OT	EQ	LUX	02/17	USD	116.30	0.3	19.5	-6.4
Int'l Health Care C	OT	EQ	LUX	02/17	USD	132.24	0.4	20.1	-5.9
Int'l Health Care I	OT	EQ	LUX	02/17	USD	151.01	0.5	21.6	-4.7
Int'l Technology A	OT	EQ	LUX	02/17	USD	105.51	-4.4	53.8	-5.4
Int'l Technology B	OT	EQ	LUX	02/17	USD	91.30	-4.5	52.3	-6.3
Int'l Technology C	OT	EQ	LUX	02/17	USD	101.90	-4.5	53.2	-5.8
Int'l Technology I	OT	EQ	LUX	02/17	USD	118.43	-4.3	55.1	-4.6
Japan Eq Blend A	JP	EQ	LUX	02/17	JPY	5939.00	-1.4	31.4	-18.9
Japan Eq Blend B	JP	EQ	LUX	02/17	JPY	5724.00	-1.5	30.1	-19.7
Japan Eq Blend C	JP	EQ	LUX	02/17	JPY	5841.00	-1.5	30.8	-19.3
Japan Growth A	JP	EQ	LUX	02/17	JPY	5640.00	-4.0	19.8	-20.5
Japan Growth B	JP	EQ	LUX	02/17	JPY	5436.00	-4.1	18.6	-21.3
Japan Growth C	JP	EQ	LUX	02/17	JPY	5547.00	-4.0	19.2	-20.9
Japan Strat Value A	JP	EQ	LUX	02/17	JPY	6201.00	1.3	43.4	-17.7
Japan Strat Value B	JP	EQ	LUX	02/17	JPY	5982.00	1.2	42.0	-18.5
Japan Strat Value C	JP	EQ	LUX	02/17	JPY	6093.00	1.2	42.7	-18.1
Real Estate Sec. A	OT	EQ	LUX	02/17	USD	13.74	-4.3	67.4	-14.0
Real Estate Sec. B	OT	EQ	LUX	02/17	USD	12.54	-4.4	65.7	-14.8
Real Estate Sec. I	OT	EQ	LUX	02/17	USD	14.77	-4.2	68.6	-13.3
Short Mat Dollar A	US	BD	LUX	02/17	USD	7.27	0.0	13.8	-5.0
Short Mat Dollar A2	US	BD	LUX	02/17	USD	9.84	0.5	14.0	-4.9
Short Mat Dollar AT	US	BD	LUX	02/17	USD	7.27	0.3	13.8	-5.0
Short Mat Dollar B	US	BD	LUX	02/17	USD	7.27	0.0	13.4	-5.4
Short Mat Dollar B2	US	BD	LUX	02/17	USD	9.78	0.4	13.5	-5.4
Short Mat Dollar BT	OT	OT	LUX	02/17	USD	7.28	0.1	NS	-5.7
Short Mat Dollar C	US	BD	LUX	02/17	USD	7.27	0.0	13.4	-5.4
Short Mat Dollar C2	US	BD	LUX	02/17	USD	13.84	0.5	13.6	-5.3
Short Mat Dollar I	US	BD	LUX	02/17	USD	7.27	0.0	14.4	-4.4

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Alexandra Convertible Bond Fund L Ltd. (Class A)	OT	OT	VGB	12/31	USD	1691.35	74.6	74.6	NS

CREDIT PACIFIC Private Banking & Wealth Management Group

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CPS-Master Priv Fund	GL	OT	WSM	02/15	USD	102.68	2.7	24.8	20.7

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Platinm-All Star	OT	OT	CYM	11/30	USD	96.31	14.7	11.9	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	12/31	USD	116.00	12.9	12.9	-29.1
Platinm-Emancipation	OT	OT	USA	12/31	USD	93.12	24.4	24.4	-8.6
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	12/31	USD	62.80	37.2	37.2	-26.9
Platinm-Nordic	OT	OT	CYM	12/31	SEK	617.36	13.2	13.2	-16.2
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	12/31	USD	60.07	NS	NS	-29.4

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Superfund Cayman*	OT	OT	CYM	02/16	USD	33.82	-17.1	-59.4	-14.9
Superfund GCT USD*	GL	EQ	LUX	02/16	USD	1886.00	-14.1	-48.6	-11.1
Superfund Green Gold A (SPC)	OT	OT	CYM	02/16	USD	888.59	-7.9	-26.0	-2.5
Superfund Green Gold B (SPC)	OT	OT	CYM	02/16	USD	814.96	-12.9	-41.6	-9.4
Superfund Q-AG*	OT	OT	AUT	02/16	EUR	6016.00	-9.1	NS	-3.0

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Winton Evolution EUR Cls H	OT	OT	CYM	12/31	EUR	945.08	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	12/31	GBP	949.08	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	12/31	USD	1199.12	-5.4	-5.4	2.0
Winton Futures EUR Cls C	OT	OT	VGB	01/29	EUR	191.46	-2.7	-8.1	4.3
Winton Futures GBP Cls D	OT	OT	VGB	01/29	GBP	207.19	-2.7	-7.6	5.2
Winton Futures JPY Cls E	OT	OT	VGB	01/29	JPY	13526.58	-2.6	-9.3	2.0
Winton Futures USD Cls B	OT	OT	VGB	01/29	USD	680.91	-2.6	-8.1	4.0

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Concentra AE	EU	EQ	DEU	02/18	EUR	49.81	-4.5	45.6	-8.0
Industria AE	EU	EQ	DEU	02/18	EUR	71.40	-0.2	38.7	-12.3
InternRent AE	EU	BD	DEU	02/18	EUR	37.35	6.0	1.8	10.7

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CAM-GTF Limited	AS	EQ	MUS	02/05	USD	280811.90	2.3	117.7	10.5

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MARKETS

Travelers, H-P lead U.S. stock gains

By Kristina Peterson And Donna Kardos Yesalavich

NEW YORK—U.S. stocks clung to narrow gains as earnings reports boosted technology stocks but weighed on consumer goods, overshadowing the morning's batch of largely disappointing U.S. economic data.

The Dow Jones Industrial Average was up 28.34 points, or 0.3%, to 10337.58 in midday trade.

Insurance provider **Travelers** was the measure's top performer, up 1.5%. **Hewlett-Packard** firmed 1% after reporting a 25% profit rise in the first quarter and a boost to its fiscal-year revenue outlook.

ABREAST OF THE MARKET

Wal-Mart fell 1.6% after posting a 22% gain in fourth-quarter profit, but providing tepid first-quarter earnings guidance. The retail giant's sales fell at U.S. stores open more than a year.

The Nasdaq Composite added 0.2% to 2230.02, and the Standard & Poor's 500-share index added 0.1% to 1101.10. Materials stocks climbed, boosted by Bank of America Merrill Lynch's upgrade of steel products maker **Nucor** to neutral from underperform, citing an increased steel-price view. Nucor added 1.9%.

Investors said they were disappointed by the U.S. jobs and inflation data, but said the recent improvements in housing starts and manufacturing data still supported a broad, if slow recovery.

Among other companies reporting earnings, **Priceline.com** jumped 9.5% after its fourth-quarter profit more than doubled, as bookings continued to soar at the online travel company. Revenue topped the company's bullish expectations and it projected strong first-quarter results.

European stocks

Benchmark indexes firmed on a mixed set of earnings reports.

The pan-European Dow Jones Stoxx 600 index gained 0.6% to 249.14, its fourth consecutive increase.

Among major national indexes, the German DAX added 0.6% to 5680.41, the French CAC-40 index advanced 0.6% to 3747.83 and the U.K. FTSE 100 index rose 0.9% to 5325.09.

Engineering group **ABB** climbed 7.6% in Zurich as fourth-quarter profit more than doubled and the firm raised its dividend

U.K. aerospace and defense group **BAE Systems** advanced 4.3% in London on a dividend increase and a plan to buy back shares.

But German car giant **Daimler** dropped 4.7% after it said it wouldn't pay a dividend following a larger-than-expected quarterly loss.

Société Générale fell 7.2% in Paris as provisions rose sharply and the lender cut its dividend.

CIC sets sights on secondary private equity

By Amy Or

HONG KONG—China's $300 billion sovereign-wealth fund, **China Investment Corp.**, has mandated three managers, including **Goldman Sachs Group** Inc., to invest $1.5 billion in the private-equity secondary market, a person familiar with the situation said Thursday.

The mandate by CIC to invest in secondary private equity—the sale by a private-equity fund of a holding to another private-equity fund—was given to the three managers late last year, and is part of CIC's efforts to diversify its investment portfolio, the person said. News of the investment mandate was first reported by the Financial Times on Thursday.

The three managers—Goldman Sachs, secondary-fund firm **Lexington Partners** Inc., and private-equity firm **Pantheon Ventures** Ltd.—were each mandated to manage US$500 million, the person said.

CIC bought a $3 billion stake in **Blackstone** LP, one of the largest U.S. private-equity firms, in June 2007, and has also made investments in several listed companies, including Singapore-listed commodities trader **Noble Group** Ltd. and Canadian-listed coal miner **SouthGobi Energy Resources** Ltd., which raised $462 million in a Hong Kong initial public offering this year.

It wasn't clear whether any investments already have been made. A CIC official said in a text message that she was unaware of the matter.

Australia shares decline; Tokyo ekes out a gain

By Leslie Shaffer And Kirsty Green

Most Asian markets fell Thursday, with Australian shares under pressure as **Qantas Airways** disappointed investors with its first-half results, while miners declined after the International Monetary Fund said it plans to sell gold on the open market.

The broad decline came on thin trading volumes and despite positive overnight cues from Wall Street, as investors booked profits from recent gains, especially in the wake of Wednesday's strong performance across the region.

ASIAN-PACIFIC STOCKS

European nations' debt problems were also still at the back of investors' minds. "We are not hearing anything positive about Europe right now," said Deutsche Securities senior foreign-exchange strategist Koji Fukaya.

Australia's S&P/ASX 200 fell 0.3% to 4654.91 Hong Kong's Hang Seng Index lost 0.5% to 20422.15 and South Korea's Kospi fell 0.4% to 1621.19.

Japan's Nikkei Stock Average of 225 companies ended up 0.3% at 10335.69 after a seesaw session. India's Sensex fell 0.6% to 16327.84. Markets in China, Taiwan and Vietnam remained closed for the Lunar New Year holidays.

In Sydney, Qantas Airways tumbled 8.1% after reporting a fiscal first-half profit that fell short of expectations and after the company said it won't pay a dividend, given the challenging environment.

Fund manager **AMP** declined 1.8% after it posted full-year profit on the lower side of expectations. AMP said it remains interested in rival **AXA Asia Pacific**, fueling speculation it could come back with a higher offer for the wealth-management group. AXA Asia rose 1%.

Gold stocks fell across the region after the IMF surprised traders by saying it will sell 191.3 tons of the metal on the open market. **Lihir Gold** lost 3.5% and **Eldorado Gold** shed 3% in Sydney, with **Zijin Mining Group** losing 1.8% in Hong Kong and **Sumitomo Metal Mining** sliding 0.8% in Tokyo.

In Tokyo, banks gained after the Bank of Japan left its interest rate at 0.1%, as widely expected, while maintaining its assessment on the state of the economy. **Mitsubishi UFJ Financial Group** rose 1.1% and **Aozora Bank** gained 2.6%.

Recent gainers such as shipping stocks and commodity producers retreated, with **Nippon Yusen** sliding 1.2%, while **Marubeni** gave up 0.9%.

In Hong Kong, Chinese banks retraced some of their gains from the previous session, with **Industrial & Commercial Bank of China** shrinking 0.9% and **China Construction Bank** shedding 1%.

Sands China slumped 5.7% in Hong Kong after the casino operator's parent, Las Vegas Sands, reported a quarterly loss amid expectations of a profit.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	02/05	USD	1292.96	4.0	26.7	-6.0
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	02/15	JPY	13901.07	-10.5	54.4	2.0
GAM Asia Equity Hedge US	OT	OT	VGB	02/15	USD	259.44	-10.6	NS	3.3
GAM Asia Equity USD	OT	OT	VGB	02/17	USD	609.38	-6.8	67.3	-10.6
GAM Asia-Pacific Eq USD	OT	OT	VGB	02/16	USD	1252.87	-2.3	27.3	-11.6
GAM Com Glb Bal EUR Op	US	BA	VGB	02/08	EUR	94.79	-2.0	17.3	-7.9
GAM Com Glb Bal USD Op	US	BA	VGB	02/08	USD	125.26	-2.0	17.3	-7.9
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	02/08	EUR	95.26	-5.1	25.2	-14.3
GAM Comp Glb Eq USD Op	GL	EQ	VGB	02/08	USD	121.02	-5.1	25.2	-14.3
GAM Comp Glb Gr EUR Op	US	BA	VGB	02/08	EUR	85.28	-3.6	18.3	-11.6
GAM Comp Glb Gr USD Op	US	BA	VGB	02/08	USD	122.53	-3.6	18.3	-11.6
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	02/12	USD	237.45	-4.5	31.5	-8.5
GAM Cross Trading Inc	OT	OT	VGB	02/08	USD	463.70	-0.5	4.0	2.7
GAM Diversity CHF Op	OT	OT	VGB	02/08	CHF	93.78	-0.6	3.0	-5.7
GAM Diversity EUR Op	OT	OT	VGB	02/08	EUR	645.07	-0.5	3.7	-4.5
GAM Diversity USD 2.5XL	OT	OT	VGB	02/08	USD	77.14	-1.5	6.4	NS
GAM Diversity USD Op	OT	OT	VGB	02/08	USD	677.63	-0.5	3.8	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	02/08	CHF	98.94	-0.6	2.6	-5.4
GAM Dvrsty II EUR Op	OT	OT	VGB	02/08	EUR	138.04	-0.5	2.9	-4.6
GAM Dvrsty II USD Op	OT	OT	VGB	02/08	USD	209.11	-0.5	3.2	-4.6
GAM DvrstyIII EUR Op	OT	OT	VGB	02/08	EUR	114.92	-0.5	2.9	-5.1
GAM DvrstyIII USD Op	OT	OT	VGB	02/08	USD	121.37	-0.5	3.2	-5.2
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	02/15	EUR	216.19	-1.2	9.5	-3.1
GAM Euro Eq Hdg USD Op	OT	OT	VGB	02/15	USD	200.72	-1.3	10.6	-1.6
GAM European Equity USD	OT	OT	VGB	02/16	USD	272.62	-7.0	31.3	-11.6
GAM GAMCO	OT	EQ	VGB	02/09	USD	772.76	-4.7	40.7	-9.5
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	02/15	EUR	95.90	-2.0	11.0	-15.5
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	02/15	USD	101.33	-1.8	10.9	-14.7
GAM Gbl Divers USD Inc.	GL	EQ	VGB	02/15	USD	242.90	-2.8	26.6	-5.7
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	02/08	USD	252.20	-12.0	93.4	18.7
GAM Intrst Trend II	GL	BD	VGB	02/08	USD	102.35	8.7	62.1	-4.9
GAM Intrst Trend Inc	OT	OT	VGB	02/15	USD	275.16	9.4	76.2	-2.4
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	02/15	EUR	120.90	3.6	14.8	-0.4
GAM Japan Eq Hdg USD Op	OT	OT	VGB	02/15	USD	124.04	1.6	17.5	-13.8
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	02/15	JPY	8542.25	1.6	18.0	-12.7
GAM Japan USD	JP	EQ	VGB	02/17	USD	1125.62	2.1	27.7	-12.4
GAM Japan YEN	JP	EQ	VGB	02/17	JPY	8930.74	1.2	29.1	-18.2
GAM Money Mkt EuroOp	EU	MM	VGB	02/16	EUR	51.15	0.1	0.1	1.5
GAM Money Mkt USD	US	MM	VGB	02/15	USD	100.02	0.1	0.0	0.6
GAM Multi-Arb EUR Op	OT	OT	VGB	02/08	EUR	112.44	1.1	1.3	-6.2
GAM Multi-Arb USD Op	OT	OT	VGB	02/08	USD	117.31	1.1	1.5	-8.7
GAM Multi-China EUR Op	OT	OT	VGB	02/08	EUR	159.49	-5.0	6.3	-2.5
GAM Multi-China USD Op	OT	OT	VGB	02/08	USD	168.13	-4.8	7.2	-2.5
GAM Multi-Emer Mkts GBP	OT	OT	VGB	02/08	GBP	127.87	-2.8	22.5	-2.4
GAM Multi-Emer Mkts USD	OT	OT	VGB	02/08	USD	633.36	-2.7	22.6	-2.5
GAM Multi-Eur EUR Op	OT	OT	VGB	02/08	EUR	264.64	-1.6	4.6	-7.3
GAM Multi-Eur II EUR Op	OT	OT	VGB	02/08	EUR	136.17	-1.6	4.6	-4.3
GAM Multi-Eur II USD Op	OT	OT	VGB	02/08	USD	111.38	-1.5	4.4	-4.9
GAM Multi-Eur USD Op	OT	OT	VGB	02/08	USD	460.58	-1.5	4.4	-8.2
GAM Multi-Nth Am EUR Special	OT	OT	VGB	02/08	EUR	133.19	-0.6	9.4	-4.5
GAM Multi-Nth Am USD Special	OT	OT	VGB	02/08	USD	216.77	-0.6	9.7	-4.4
GAM Multi-Pac EUR Op	GL	EQ	VGB	02/08	EUR	138.85	-3.2	0.6	-2.5
GAM Multi-Pac USD Op	OT	OT	VGB	02/08	USD	160.44	-3.0	1.0	-2.5
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	02/12	USD	2650.31	0.5	55.3	11.2
GAM Sing/Malaysia	AS	EQ	VGB	02/17	USD	2431.18	-3.7	62.7	-9.0
GAM Sterling Spe Bd Inc	OT	OT	VGB	02/15	GBP	238.27	3.6	47.6	6.3
GAM Trading EUR Inc	OT	OT	VGB	02/08	EUR	323.56	-0.5	3.6	3.2
GAM Trading USD Inc	OT	OT	VGB	02/08	USD	968.58	-0.5	4.0	2.8
GAM Trdg II IncEUR Op	OT	OT	VGB	02/08	EUR	138.40	-0.5	3.5	3.2
GAM Trdg II IncUSD Op	OT	OT	VGB	02/08	USD	314.50	-0.5	4.0	2.8
GAM Trdg IV IncEUR Op	OT	OT	VGB	02/08	EUR	145.99	-0.5	3.3	4.5
GAM Trdg IV IncUSD Op	OT	OT	VGB	02/08	USD	153.76	-0.5	3.8	4.1
GAM Trdg V IncEUR Op	OT	OT	VGB	02/08	EUR	123.78	-0.5	3.3	4.4
GAM Trdg V IncUSD Op	OT	OT	VGB	02/08	USD	129.00	-0.5	3.8	4.0
GAM TrdgIII IncEUR Op	OT	OT	VGB	02/08	EUR	156.09	-0.6	3.3	3.0
GAM TrdgIII IncUSD Op	OT	OT	VGB	02/08	USD	161.73	-0.5	3.8	2.7
GAM USDSpecBondInc	US	BD	VGB	02/15	USD	554.93	4.7	83.6	9.4
GAM Worldwide	GL	EQ	VGB	02/16	USD	2097.52	-5.7	34.0	-9.5
GAMut Investments	OT	OT	VGB	02/10	USD	7580.41	0.0	1.6	6.8

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	02/16	CHF	10.47	-5.1	43.6	-12.4
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	02/16	EUR	11.43	-4.0	47.8	-7.5
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	02/16	GBP	1.48	-5.6	43.9	-0.2
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	02/16	USD	12.36	-7.9	59.4	-10.2
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	02/16	EUR	101.77	0.6	23.3	-9.6
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	02/16	EUR	98.49	0.6	23.3	-9.6
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	02/16	EUR	10.58	-3.8	24.5	-6.4
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	02/16	EUR	177.57	-3.0	24.1	-8.8
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	02/16	EUR	162.25	-3.0	24.1	-8.8
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	02/16	USD	14.90	-6.8	33.5	-11.4
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	02/16	USD	13.51	-6.8	33.5	-11.4
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	02/16	USD	5.57	1.5	39.2	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	02/16	EUR	90.04	2.4	17.0	-8.7
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	02/16	EUR	90.05	2.4	17.0	-8.7
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	02/16	JPY	911.27	-1.1	23.4	-18.8
GAMStar-JpnEq USD Acc	JP	EQ	IRL	02/16	USD	11.14	0.2	21.3	-13.1
GAMStar-World EqUSD Acc	GL	EQ	IRL	02/16	USD	2112.58	-5.6	35.0	-9.0

LIST YOUR FUNDS

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■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110
Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

American Growth	US	EQ	LUX	02/18	USD	14.95	-2.1	35.2	-9.7
American Growth AA	US	EQ	LUX	02/18	USD	0.86	-2.1	34.8	-7.2
Asian Equity	AS	EQ	LUX	02/18	USD	2.30	-6.1	69.3	-9.1
Asian Equity AA	AS	EQ	LUX	02/18	USD	0.74	-6.1	68.7	-9.4
Asian Sm Cap Equity AA	AS	EQ	LUX	02/18	USD	1.12	-2.9	98.4	-2.5
China Value A	AS	EQ	LUX	02/18	USD	6.52	-8.4	57.1	-6.3
China Value AA	AS	EQ	LUX	02/18	USD	2.05	-8.4	56.7	-6.5
Dragon Growth	AS	EQ	LUX	02/18	USD	1.54	-6.5	62.4	-7.6
Dragon Growth AA	OT	OT	LUX	02/18	HKD	7.48	-6.3	62.3	-8.5
Emg Eastrn Europe A	EU	EQ	LUX	02/18	USD	4.47	-3.0	136.9	-15.6
Emg Eastrn Europe AA	EU	EQ	LUX	02/18	USD	1.93	-3.0	136.6	-15.8
European Growth	EU	EQ	LUX	02/18	USD	8.53	-6.9	60.6	-15.4
European Growth AA	EU	EQ	LUX	02/18	USD	0.61	-6.9	60.2	-15.6
Global Contrarain AA	GL	EQ	LUX	02/18	USD	0.91	3.1	111.0	NS
Global Property AA	OT	EQ	LUX	02/18	USD	0.65	-3.8	77.6	-12.7
Global Resources AA	OT	EQ	LUX	02/18	USD	1.05	-3.5	45.1	-13.5
Healthcare AA	OT	EQ	LUX	02/18	USD	0.94	-0.2	17.1	NS
India Equity AA	EA	EQ	LUX	02/18	USD	1.03	-6.2	82.0	-15.0
International Growth	GL	EQ	LUX	02/18	USD	2.96	-2.9	35.4	-13.2
International Growth AA	GL	EQ	LUX	02/18	USD	0.69	-2.9	35.0	-13.4
Japanese Growth	JP	EQ	LUX	02/18	USD	2.76	0.2	26.7	-10.6
Japanese Growth AA	JP	EQ	LUX	02/18	USD	0.73	0.8	27.3	-10.5
Latin America Equity AA	GL	EQ	LUX	02/18	USD	1.22	-5.0	96.8	-4.8
Manulife GF Strategic Income Fund AA	OT	OT	NA	02/18	USD	1.01	0.3	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	02/18	USD	1.11	-2.9	NS	NS
Russia Equity AA	EE	EQ	LUX	02/18	USD	0.65	4.8	160.6	-19.4
Taiwan Equity AA	AS	EQ	LUX	02/10	USD	0.97	-10.4	74.8	0.3
Turkey Equity AA	EE	EQ	LUX	02/18	USD	0.77	-0.3	159.0	-3.4
U.S. Bond AA	US	BD	LUX	02/18	USD	1.12	1.4	17.0	8.0
U.S. Sm Cap Equity AA	US	EQ	LUX	02/18	USD	0.86	5.3	80.2	-6.9
U.S. Special Opportunities	OT	OT	LUX	02/18	USD	0.86	6.1	97.3	6.0
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	02/18	USD	1.14	0.2	6.9	1.9

■ PT CIPTADANA ASSET MANAGEMENT
Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	02/10	USD	124.51	-2.2	125.8	-3.3

Sensible Asset Management
A Value Partners Group company

■ SENSIBLE ASSET MANAGEMENT LIMITED
www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	02/17	USD	7.82	-3.9	86.2	-2.6

SOCIETE GENERALE Asset Management

■ SG ASSET MANAGEMENT (HK) LTD
Hotline in Hong Kong 2166 5099
A company of Amundi Group
www.sgam.com

Bonds Eur Hi Yld A	OT	OT	LUX	02/16	EUR	20.78	0.9	49.3	4.0
Bonds EURO A	OT	OT	LUX	02/16	EUR	41.31	0.7	4.4	4.5
Bonds EUROPE A	OT	OT	LUX	02/16	EUR	39.45	0.9	3.1	4.0
Bonds US OppsCoreplus A	OT	OT	LUX	02/16	USD	37.40	1.4	15.1	8.2
Bonds World A	OT	OT	LUX	02/16	USD	41.59	-1.0	10.0	4.1
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	02/17	USD	9.83	-5.7	71.7	-9.7
Eq. China A	AS	EQ	LUX	02/17	USD	21.95	-9.0	60.0	-11.8
Eq. Concentrated Euroland A	OT	OT	LUX	02/16	EUR	86.66	-6.8	19.9	-16.0
Eq. ConcentratedEuropeA	EU	EQ	LUX	02/16	EUR	25.70	-4.9	31.7	-14.6
Eq. Emerging Europe A	OT	OT	LUX	02/16	EUR	24.14	2.5	92.0	-20.6
Eq. Euroland A	EU	EQ	LUX	02/16	EUR	10.16	-6.2	20.7	-16.4
Eq. Euroland Small Cap A	OT	OT	LUX	02/16	EUR	136.36	-3.4	36.0	-8.5
Eq. EurolandCyclclsA	EU	EQ	LUX	02/16	EUR	17.33	-2.6	28.5	-11.6
Eq. EurolandFinancialA	OT	EQ	LUX	02/16	EUR	10.03	-11.3	45.0	-19.1
Eq. Glbl Emg Cty A	GL	EQ	LUX	02/16	USD	8.80	-9.1	56.7	-15.9
Eq. Global A	GL	EQ	LUX	02/16	USD	26.81	-3.8	37.6	-11.2
Eq. Global Energy A	OT	EQ	LUX	02/16	USD	17.50	-3.5	26.0	-13.6
Eq. Global Resources A	OT	OT	LUX	02/16	USD	105.36	-3.5	44.4	-12.1
Eq. Gold Mines A	OT	EQ	LUX	02/16	USD	29.26	-3.4	34.3	-3.6
Eq. India A	OT	OT	LUX	02/17	USD	124.03	-5.1	81.8	-15.0
Eq. Japan CoreAlpha A	OT	OT	LUX	02/17	JPY	7448.26	2.7	39.5	-8.0
Eq. Latin America A	OT	OT	LUX	02/16	USD	108.29	-6.8	68.4	-11.4
Eq. US Lg Cap Gr A	US	EQ	LUX	02/16	USD	14.83	-2.8	35.6	-9.6
Eq. US Rel Val A	US	EQ	LUX	02/16	USD	20.26	-1.6	40.7	-12.6
Eq. US Sm Cap Val A	US	EQ	LUX	02/16	USD	15.88	-0.4	34.0	-15.9
Money Market EURO A	EU	MM	LUX	02/16	EUR	27.41	0.0	0.7	2.4
Money Market USD A	US	MM	LUX	02/16	USD	15.83	0.0	0.4	1.4

The National Investor

■ THE NATIONAL INVESTOR
TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae

TNI Mena Real Estate Fund	OT	OT	BMU	02/11	USD	921.37	-4.1	6.6	-28.6
TNI MENA Special Sits Fund	OT	OT	BMU	01/31	USD	1091.50	1.1	13.6	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	02/11	AED	5.06	-5.1	28.4	-34.3

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Intel-Chin MainInd Foc	AS	EQ	CYM	01/29	USD	28.14	-5.7	85.5	2.1
Intel-China Converg*	AS	EQ	CYM	01/29	USD	107.04	-6.1	85.8	1.1
VP Classic - A	AS	EQ	CYM	02/17	USD	178.55	-4.3	74.5	1.9
VP Classic - B	AS	EQ	CYM	02/17	USD	83.17	-4.3	73.6	1.4
VP High Dividend Stk	AS	EQ	CYM	02/08	USD	43.34	-4.6	79.8	2.1

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■ YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	02/15	JPY	8891.00	-6.0	19.9	-20.5
YMR-N Small Cap Fund	OT	OT	IRL	02/15	JPY	6576.00	-6.2	17.4	-20.4

■ Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	02/18	JPY	5871.00	-4.6	16.1	-23.5
Yuki 77 Growth	JP	EQ	IRL	02/18	JPY	5382.00	-4.6	11.0	-26.8

■ Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	02/18	JPY	6694.00	-1.9	24.8	-19.0
Yuki Chugoku JpnLowP	JP	EQ	IRL	02/18	JPY	7600.00	0.8	12.9	-18.0

■ Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	02/18	JPY	4582.00	-1.9	18.6	-22.9
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	02/18	JPY	5203.00	-0.9	17.6	-17.9
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	02/18	JPY	4829.00	-5.4	19.6	-19.4

■ Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	02/18	JPY	4237.00	-4.1	19.2	-27.0
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	02/18	JPY	4460.00	-4.4	19.0	-27.2
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	02/18	JPY	6674.00	-4.3	29.7	-21.6
Yuki Mizuho Jpn Gen	OT	OT	IRL	02/18	JPY	8330.00	-3.3	25.1	-19.5
Yuki Mizuho Jpn Gro	OT	OT	IRL	02/18	JPY	6129.00	-3.6	17.8	-21.4
Yuki Mizuho Jpn Inc	OT	OT	IRL	02/18	JPY	7515.00	-1.6	9.0	-20.0
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	02/18	JPY	5076.00	-2.2	22.9	-20.8
Yuki Mizuho Jpn LowP	OT	OT	IRL	02/18	JPY	11433.00	-1.1	22.7	-14.9
Yuki Mizuho Jpn PGth	OT	OT	IRL	02/18	JPY	7563.00	-5.0	18.5	-24.5
Yuki Mizuho Jpn SmCp	OT	OT	IRL	02/18	JPY	6650.00	-6.8	26.5	-21.4
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	02/18	JPY	5573.00	-1.3	24.5	-17.1
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	02/18	JPY	2657.00	-2.5	24.9	-25.3

■ Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	02/18	JPY	5270.00	-2.8	24.6	-20.5

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Switzerland	1.11%	0.2%	40.5%
Sweden	0.18	-0.2%	50.1
Japan	-0.13	-0.4	23.2
Canada	0.47	-1.3	40.1
Netherlands	-0.03	-1.5	45.8
South Africa	-0.06	-1.5	27.4
U.K.	0.86	-1.7	33.1
Turkey	-1.56	-2.7	106.7
Australia	-0.24	-3.8	33.5
Russia	-0.46	-4.0	91.3
South Korea	-0.39	-4.1	51.2
Singapore	-0.95	-4.6	72.1
Germany	0.61	-5.0	28.8
France	0.55	-5.3	32.3
Italy	0.30	-6.1	34.9
Hong Kong	-0.69	-6.5	50.3
Brazil	0.25	-7.8	100.9
China 88	Closed	-10.2	34.6
Spain	0.25	-10.2	22.0

Dow Jones Regional Sector Titans

Arab 50	-0.28%	4.6%	31.9%
Nordic 30 -p	1.48	3.3	45.7
Travel Leisure	-0.65	2.1	41.3
Pers H'hold Gds	0.40	1.8	40.5
EU Enlarged†-p	1.62	-0.9%	89.1
Asian 50	-0.35	-2.3	47.5
Stoxx 50 -p	1.18	-3.5	32.0
Global 50	-0.10	-4.3	35.2
Tiger 50*	-0.47	-6.1	68.1
Euro Stoxx 50 -p	1.52	-6.8	30.4

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Thursday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Mitsubishi UFJ Finl	Japan	Banks	$69.9	456.00	1.11%	3.9%	-70.0%
Japan Tobacco	Japan	Tobacco	34.7	328,500	1.08	42.8	-40.6
Nissan Motor	Japan	Automobiles	33.7	751.00	0.81	158.1	-45.8
Seven I Hldgs	Japan	Broadline Retailers	19.7	1,980	0.61	-12.4	-49.2
Tokio Marine Hldgs	Japan	Property Casualty Insurance	21.7	2,495	0.40	16.3	-45.9
Hutchison Whampoa	Hong Kong	Diversified Industrials	$30.0	54.75	-1.97%	31.3	-31.4
East Japan Railway	Japan	Travel Tourism	26.1	5,990	-1.64	8.3	-34.2
Cheung Kong	Hong Kong	Real Estate Holding Development	28.2	94.45	-1.31	45.5	-9.1
Mitsubishi	Japan	Industrial Suppliers	40.7	2,250	-1.27	80.1	-15.6
RioZim Ltd	Australia	General Mining	39.4	72.10	-1.12	76.4	18.2

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Sony Japan (Consumer Electronics)	34.4	3,130	0.32%	93.9%	-50.8%
Canon Japan (Electronic Office Equipment)	50.6	3,720	0.27	60.3	-43.5
National Australia Bk Australia (Banks)	49.0	25.95	0.15	41.0	-37.2
Sumitomo Mitsui Finl Japan (Banks)	42.6	2,866	0.14	-5.4	-76.3
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	34.0	102.90	...	65.4	5.1
Mizuho Financial Grp Japan (Banks)	27.3	176.00	...	-10.2	-80.1
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	35.8	134.50	Closed	135.1	-4.7
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	47.2	58.40	Closed	29.3	-11.9
Aus NZ Bk Australia (Banks)	49.7	22.05	-0.09	75.0	-27.0
China Mobile (HK) Hong Kong (Mobile Telecommunications)	196.1	76.65	-0.13	9.5	-3.4
China Life Ins Hong Kong (Life Insurance)	33.2	34.65	-0.14	53.0	51.3
Westpac Bking Australia (Banks)	66.5	25.39	-0.16	49.4	-3.1
NTT DoCoMo Japan (Mobile Telecommunications)	64.4	140,000	-0.21	-9.2	-35.8
Woolworths Australia (Food Retailers Wholesalers)	28.9	26.06	-0.23	-5.2	2.2
Shinhan Financial Grp South Korea (Banks)	17.7	42,600	-0.23	76.4	-23.3
Honda Motor Japan (Automobiles)	63.0	3,130	-0.32	36.7	-32.3
Commonwlth Bk of Aus Australia (Banks)	72.5	53.00	-0.34	77.6	3.9
Takeda Pharm Japan (Pharmaceuticals)	34.4	3,960	-0.38	1.0	-51.5
Woodside Petroleum Australia (Exploration Production)	28.3	43.78	-0.50	30.6	15.2
Mitsui Japan (Industrial Suppliers)	27.9	1,396	-0.50	49.3	-35.8

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Samsung Elec South Korea (Semiconductors)	99.8	775,000	-0.51%	61.3%	28.7%
Panasonic Japan (Consumer Electronics)	29.8	1,306	-0.53	19.3	-46.1
Toyota Motor Japan (Automobiles)	116.6	3,360	-0.59	7.7	-59.1
Nippon Steel Japan (Iron Steel)	22.9	330.00	-0.60	28.4	-58.8
Shin-Etsu Chml Japan (Specialty Chemicals)	23.0	4,910	-0.71	20.1	-35.4
Nintendo Japan (Toys)	34.6	24,560	-0.73	-6.8	-24.6
PetroChina Hong Kong (Integrated Oil Gas)	23.7	8.71	-0.80	47.1	-8.1
CNOOC Hong Kong (Exploration Production)	70.4	12.24	-0.81	76.4	88.3
QBE Ins Grp Australia (Reinsurance)	21.2	23.00	-0.86	8.0	-28.2
Kansai Elec Power Japan (Conventional Electricity)	21.8	2,070	-0.86	-10.4	-39.8
Indl Comm Bk China Hong Kong (Banks)	60.4	5.65	-0.88	68.7	22.8
KDDI Japan (Mobile Telecommunications)	24.0	493,000	-0.90	-2.8	-45.9
JFE Hldgs Japan (Iron Steel)	18.8	3,230	-0.92	54.6	-57.3
Westfield Grp Australia (Retail REITs)	24.2	11.64	-0.94	16.6	-50.0
KB Fncl Group South Korea (Banks)	17.5	52,000	-0.95	89.0	-39.5
Nippon T&T Japan (Fixed Line Telecommunications)	57.7	3,960	-1.00	-6.2	-38.3
China Constr Bk Hong Kong (Banks)	171.8	5.94	-1.00	53.9	23.0
Tokyo Elec Power Japan (Conventional Electricity)	36.5	2,455	-1.09	-9.9	-38.9
POSCO South Korea (Iron Steel)	36.0	543,000	-1.09	60.7	43.8
BHP Billiton Australia (General Mining)	123.7	40.93	-1.11	35.7	42.2

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
All statistics published in The Wall Street Journal Asia from markets outside the Asian-Pacific region reflect preliminary data.

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.04%	-1.75%	-0.8%	-1.8%	4.2%
Event Driven	0.32	-1.99	0.8	-1.0	12.3
Equity Long/Short	1.21	-1.80	1.7	0.1	3.5

*Estimates as of 02/16/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.89	100.50%	0.01%	1.00	0.65	0.83
Eur. High Volatility: 12/1	1.37	98.33	0.01	1.76	0.92	1.30
Europe Crossover: 12/1	4.92	100.29	0.05	6.15	3.79	4.95
Asia ex-Japan IG: 12/1	1.16	99.26	0.01	1.34	0.87	1.07
Japan: 12/1	1.47	97.82	0.01	1.68	0.99	1.35

Note: Data as of February 17

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points

Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Flextronics Intl	252	**-38**	-46	-23
Obayashi	234	**-18**	-1	36
Kawasaki Heavy Inds	174	**-10**	13	27
Nishimatsu Constr	591	**-9**	11	46
Nissan Mtr	140	**-9**	-11	26
Shimizu	176	**-8**	3	16
Nippon Yusen Kabushiki Kaisha	103	**-8**	-10	6
Marubeni	215	**-7**	-5	40
Ajinomoto	32	**-6**	-8	12
Aeon	182	**-6**	-3	22

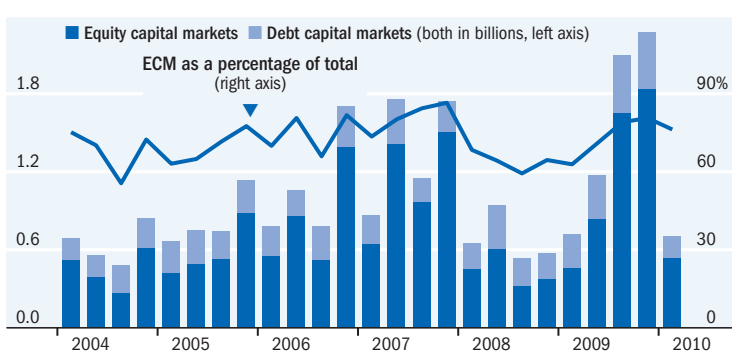
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Showa Shell Sekiyu	62	**2**	...	20
All Nippon Awys	329	**3**	1	35
Marui Group	262	**3**	10	17
Daiwa Secs Gp	147	**3**	7	27
Promise	692	**3**	33	93
IHI	316	**4**	-2	-2
Nomura Hldgs	217	**5**	5	18
Korea Dep Ins	95	**8**	-1	19
Acom	304	**9**	12	41
Nec Electrs	241	**10**	15	14

Source: Markit Group

Behind Asia's deals: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals



Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	**371.25**	-0.50	**-0.13%**	714.00	325.00
Soybeans (cents/bu.)	CBOT	**965.50**	4.50	**0.47%**	1,087.50	819.75
Wheat (cents/bu.)	CBOT	**509.00**	-0.25	**-0.05**	745.00	472.00
Live cattle (cents/lb.)	CME	**92.150**	-0.025	**-0.03**	95.175	85.050
Cocoa ($/ton)	ICE-US	**3,100**	6	**0.19**	3,514	2,066
Coffee (cents/lb.)	ICE-US	**136.55**	1.90	**1.41**	190.40	118.30
Sugar (cents/lb.)	ICE-US	**25.75**	0.18	**0.70**	29.00	11.90
Cotton (cents/lb.)	ICE-US	**76.43**	0.32	**0.42**	94.00	51.38
Crude palm oil (ringgit/ton)	MDEX	**2,604.00**	-16	**-0.61**	2,743	2,150
Cocoa (pounds/ton)	LIFFE	**2,264**	8	**0.35**	2,356	1,475
Robusta coffee ($/ton)	LIFFE	**1,316**	6	**0.46**	1,605	1,305
Copper (cents/lb.)	COMEX	**330.40**	4.50	**1.38**	355.00	140.00
Gold ($/troy oz.)	COMEX	**1123.20**	3.70	**0.33**	1,229.00	785.10
Silver (cents/troy oz.)	COMEX	**1608.50**	-1.30	**-0.08**	2,011.50	1,045.00
Aluminum ($/ton)	LME	**2,107.00**	-15.50	**-0.73**	2,356.50	1,288.00
Tin ($/ton)	LME	**16,675.00**	-20.00	**-0.12**	18,250.00	9,945.00
Copper ($/ton)	LME	**7,110.00**	-30.00	**-0.42**	7,695.00	3,171.00
Lead ($/ton)	LME	**2,266.00**	-29.00	**-1.26**	2,615.00	995.00
Zinc ($/ton)	LME	**2,276.50**	-48.00	**-2.06**	2,659.00	1,086.00
Nickel ($/ton)	LME	**20,300**	80	**0.40**	21,150	9,475
Crude oil ($/bbl.)	NYMEX	**77.90**	0.57	**0.74**	116.70	51.00
Heating oil ($/gal.)	NYMEX	**2.0326**	0.0158	**0.78**	3.4750	1.3939
RBOB gasoline ($/gal.)	NYMEX	**2.1478**	0.0199	**0.94**	2.2972	1.4475
Natural gas ($/mmBtu)	NYMEX	**5.235**	-0.127	**-2.37**	10.800	4.595
Brent crude ($/bbl.)	ICE-EU	**76.77**	0.50	**0.66**	83.58	51.55
Gas oil ($/ton)	ICE-EU	**620.00**	9.00	**1.47**	688.00	502.25

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Feb. 18

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.2557	0.1903	3.8575	0.2592
Brazil real	2.4812	0.4030	1.8211	0.5491
Canada dollar	1.4191	0.7047	1.0416	0.9601
1-mo. forward	1.4192	0.7046	1.0417	0.9600
3-mos. forward	1.4194	0.7045	1.0418	0.9599
6-mos. forward	1.4197	0.7044	1.0420	0.9597
Chile peso	724.48	0.001380	531.75	0.001881
Colombia peso	2628.44	0.0003805	1929.20	0.0005184
Ecuador US dollar-f	1.3624	0.7340	1	1
Mexico peso-a	17.4938	0.0572	12.8400	0.0779
Peru sol	3.8837	0.2575	2.8505	0.3508
Uruguay peso-e	26.772	0.0374	19.650	0.0509
U.S. dollar	1.3624	0.7340	1	1
Venezuela bolivar	5.85	0.170904	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.5119	0.6614	1.1097	0.9012
China yuan	9.3087	0.1074	6.8323	0.1464
Hong Kong dollar	10.5811	0.0945	7.7662	0.1288
India rupee	62.9793	0.0159	46.2250	0.0216
Indonesia rupiah	12664	0.0000790	9295	0.0001076
Japan yen	123.91	0.008071	90.95	0.010996
1-mo. forward	123.89	0.008072	90.93	0.010997
3-mos. forward	123.85	0.008074	90.90	0.011001
6-mos. forward	123.76	0.008080	90.84	0.011008
Malaysia ringgit-c	4.6306	0.2160	3.3988	0.2942
New Zealand dollar	1.9321	0.5176	1.4181	0.7052
Pakistan rupee	115.672	0.0086	84.900	0.0118
Philippines peso	62.911	0.0159	46.175	0.0217
Singapore dollar	1.9159	0.5220	1.4062	0.7111
South Korea won	1560.28	0.0006409	1145.20	0.0008732
Taiwan dollar	43.639	0.02292	32.030	0.03122
Thailand baht	45.186	0.02213	33.165	0.03015

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7340	1.3625
1-mo. forward	1.0001	0.9999	0.7340	1.3624
3-mos. forward	1.0002	0.9998	0.7341	1.3622
6-mos. forward	1.0005	0.9995	0.7343	1.3618
Czech Rep. koruna-b	25.688	0.0389	18.855	0.0530
Denmark krone	7.4429	0.1344	5.4629	0.1831
Hungary forint	271.43	0.003684	199.22	0.005020
Norway krone	8.0761	0.1238	5.9276	0.1687
Poland zloty	3.9882	0.2507	2.9273	0.3416
Russia ruble-d	40.860	0.02447	29.990	0.03334
Sweden krona	9.8000	0.1020	7.1929	0.1390
Switzerland franc	1.4676	0.6814	1.0772	0.9283
1-mo. forward	1.4673	0.6815	1.0770	0.9285
3-mos. forward	1.4667	0.6818	1.0765	0.9289
6-mos. forward	1.4655	0.6824	1.0757	0.9297
Turkey lira	2.0664	0.4839	1.5167	0.6593
U.K. pound	0.8709	1.1482	0.6392	1.5644
1-mo. forward	0.8711	1.1480	0.6394	1.5641
3-mos. forward	0.8715	1.1475	0.6396	1.5634
6-mos. forward	0.8720	1.1468	0.6400	1.5625
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5136	1.9470	0.3770	2.6527
Egypt pound-a	7.4819	0.1337	5.4915	0.1821
Israel shekel	5.1071	0.1958	3.7485	0.2668
Jordan dinar	0.9650	1.0363	0.7083	1.4119
Kuwait dinar	0.3942	2.5368	0.2893	3.4563
Lebanon pound	2045.72	0.0004888	1501.50	0.0006660
Saudi Arabia riyal	5.1093	0.1957	3.7501	0.2667
South Africa rand	10.3546	0.0966	7.6000	0.1316
United Arab dirham	5.0043	0.1998	3.6731	0.2723
SDR -f	0.8897	1.1239	0.6530	1.5313

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
51	**ASIA-PACIFIC**	**DJ Asia-Pacific**	120.52	-0.24	**-0.20%**	-2.1%	49.1%
...	Australia	**SPX/ASX 200**	4654.91	-12.95	**-0.28**	-4.4	35.0
...	China	**CBN 600**	26845.32		**Closed**	-7.6	41.6
18	Hong Kong	**Hang Seng**	20422.15	-111.86	**-0.54**	-6.6	56.8
19	India	**Sensex**	16327.84	-101.07	**-0.62**	-6.5	80.6
...	Indonesia	**Jakarta Composite**	2560.034	-21.306	**-0.83**	1.0	93.4
...	Japan	**Nikkei Stock Average**	10335.69	28.86	**0.28%**	-2.0	36.8
...		**Topix**	904.73	0.10	**0.01**	-0.3	20.4
...	Malaysia	**Kuala Lumpur Composite**	1259.00	-0.07	**-0.01**	-1.1	40.0
	New Zealand	**NZSX-50**	3101.770	-9.290	**-0.30**	-4.0	18.5
9	Pakistan	**KSE 100**	9889.30	22.21	**0.23**	5.4	64.2
14	Philippines	**Manila Composite**	2999.94	-18.73	**-0.62**	-1.7	57.9
...	Singapore	**Straits Times**	2769.19	-24.87	**-0.89**	-4.4	70.0
11	South Korea	**Kospi**	1621.19	-6.24	**-0.38**	-3.7	46.4
20	Taiwan	**Weighted**	7441.84		**Closed**	-9.1	64.3
10	Thailand	**SET**	695.66	-1.83	**-0.26**	-5.3	57.5
58	**EUROPE**	**DJ Stoxx 600**	249.15	1.46	**0.59**	-1.6	35.8
23		**DJ Stoxx 50**	2511.16	16.54	**0.66**	-2.6	33.0
70	**Euro Zone**	**DJ Euro Stoxx**	260.82	1.39	**0.54%**	-5.1%	32.6%
21		**DJ Euro Stoxx 50**	2779.07	16.82	**0.61**	-6.3	31.4
21	Denmark	**OMX Copenhagen**	336.44	1.13	**0.34**	6.6	43.5
20	Finland	**OMX Helsinki**	6659.46	42.69	**0.65**	3.1	39.6
16	France	**CAC-40**	3747.83	22.62	**0.61**	-4.8	30.5
20	Germany	**DAX**	5680.41	32.07	**0.57**	-4.6	34.8
13	Italy	**FTSE MIB**	21686.12	35.31	**0.16**	-6.7	31.4
...	Netherlands	**AEX**	324.30	1.17	**0.36**	-3.3	36.4
...	Russia	**RTSI**	1410.85	-11.12	**-0.78%**	-1.1	156.9
10	Spain	**IBEX 35**	10574.2	75.6	**0.72**	-11.4	34.3
13	Switzerland	**SMI**	6637.29	69.69	**1.06**	1.4	33.0
...	Turkey	**ISE National 100**	52449.80	-823.50	**-1.55**	-0.7	114.6
13	U.K.	**FTSE 100**	5325.09	48.45	**0.92**	-1.6	32.5
18	**AMERICAS**	**DJ Americas**	293.46	0.81	**0.28**	-1.0	46.9
...	Brazil	**Bovespa**	67285.23	0.67	**unch.**	-1.9	68.6
...	Argentina	**Merval**	2324.68	4.01	**0.17**	0.2	117.5
20	Mexico	**IPC**	32106.00	213.88	**0.67**	...	71.1

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Thomson Reuters is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.20%	20	**DJ Global Index**	220.53	0.36	**0.16%**	-2.8%	48.4%	-8.5%
1.94	20	**Global DOW**	1897.06	-4.40	**-0.23**	-4.4	45.0	-5.4
2.35		**Asia/Pacific 600**	114.21	-0.09	**-0.08**	-0.4	40.4	-9.5
1.80	15	**Emerging Markets**	266.01	-0.92	**-0.35**	-5.0	83.6	0.5
2.16	51	**Asia/Pacific**	120.52	-0.23	**-0.19**	-2.1	49.1	-7.7
2.44	17	**Asia/Pacific ex-Japan**	299.57	-1.30	**-0.43**	-5.0	80.5	-2.2
2.65	22	**Southeast Asia**	151.27	-0.38	**-0.25**	-6.0	78.7	-1.0
0.88	27	**CBN China 600** -c	26845.32	Closed	**...**	-7.6	41.6	8.7
0.90	30	**Shanghai**	360.75	Closed	**...**	-6.9	42.0	8.9
0.60	45	**Shenzhen**	392.71	Closed	**...**	-5.7	57.2	14.9
2.34	18	**China Offshore 50**	3784.52	-27.11	**-0.71**	-7.2	55.9	4.5
7.83	9	**Australia LPT** -c, d	1123.44	3.07	**0.27**	-3.4	36.9	-23.7
2.11%	15	**Islamic Market**	1932.70	4.05	**0.21%**	-2.1%	43.7%	-3.3%
2.41	16	**Islamic Market 100**	2070.68	5.97	**0.29**	-2.4	32.5	-3.7
9.32		**Bahrain**	126.31	0.26	**0.21**	3.8	-5.9	-11.6
2.60	48	**Kuwait**	218.98	-0.10	**-0.05**	12.5	20.3	-13.0
2.64	18	**Sustainability**	969.37	3.87	**0.40**	-4.3	47.8	-9.5
2.53	58	**Stoxx 600 -p**	252.59	2.51	**1.00**	-7.2	47.2	-12.2
4.09	18	**Stoxx Select Div 30 -p**	1653.29	21.94	**1.34**	-7.9	44.3	-24.6
3.67	25	**Euro Stoxx Sel Div 30 -p**	1967.66	18.80	**0.96**	-7.5	54.8	-20.8
1.79	25	**DJ U.S. TSM**	11419.71	21.46	**0.19**	-0.7	44.8	-8.1
4.24	15	**U.S. Select Dividend -d**	653.97	5.08	**0.78**	0.5	49.4	-11.0
4.91		**U.S. REIT**	141.39	0.07	**0.05**	-2.7	71.3	-21.3
		DJ-UBS Commodity -p	133.93	-0.40	**-0.30**	-3.8	30.6	-7.3

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.110	0.639	1.042	6.832	0.734	7.766	46.225	9294.54	90.945	1.418	1145.20	3.399	46.175	1.406	1.077	32.030	33.165
Australia	0.901		0.576	0.939	6.157	0.661	6.999	41.656	8375.78	81.955	1.278	1032.00	3.063	41.611	1.267	0.971	28.864	29.887
Britain	1.564	1.736		1.629	10.688	1.148	12.149	72.314	14540.38	142.274	2.219	1791.55	5.317	72.236	2.200	1.685	50.108	51.883
Canada	0.960	1.065	0.614		6.559	0.705	7.456	44.379	8923.33	87.313	1.361	1099.46	3.263	44.331	1.350	1.034	30.751	31.840
China	0.1464	0.162	0.094	0.152		0.107	1.137	6.766	1360.38	13.311	0.208	167.62	0.497	6.758	0.206	0.158	4.688	4.854
Euro	1.362	1.512	0.871	1.419	9.309		10.581	62.979	12663.35	123.908	1.932	1560.28	4.631	62.911	1.916	1.468	43.639	45.186
Hong Kong	0.129	0.143	0.082	0.134	0.880	0.095		5.952	1196.79	11.710	0.183	147.46	0.438	5.946	0.181	0.139	4.124	4.270
India	0.0216	0.0240	0.0138	0.0225	0.1478	0.0159	0.1680		201.07	1.9674	0.0307	24.77	0.0735	0.9989	0.0304	0.0233	0.6929	0.7175
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0050		0.0098	0.0002	0.12	0.0004	0.0050	0.0002	0.0001	0.0034	0.0036
Japan	0.011	0.012	0.007	0.011	0.075	0.008	0.085	0.508	102.20		0.016	12.59	0.037	0.508	0.015	0.012	0.352	0.365
New Zealand	0.705	0.783	0.451	0.734	4.818	0.518	5.476	32.596	6554.05	64.130		807.54	2.397	32.560	0.992	0.760	22.586	23.386
South Korea	0.0009	0.0010	0.0006	0.0009	0.0060	0.0006	0.0068	0.0404	8.12	0.0794	0.0012		0.0030	0.0403	0.0012	0.0009	0.0280	0.0290
Malaysia	0.294	0.327	0.188	0.306	2.010	0.216	2.285	13.601	2734.69	26.758	0.417	336.95		13.586	0.414	0.317	9.424	9.758
Philippines	0.022	0.024	0.014	0.023	0.148	0.016	0.168	1.001	201.29	1.970	0.031	24.80	0.074		0.030	0.023	0.694	0.718
Singapore	0.711	0.789	0.455	0.741	4.859	0.522	5.523	32.872	6609.69	64.674	1.008	814.39	2.417	32.837		0.766	22.778	23.585
Switzerland	0.928	1.030	0.593	0.967	6.343	0.681	7.210	42.912	8628.43	84.427	1.317	1063.13	3.155	42.866	1.305		29.734	30.788
Taiwan	0.031	0.035	0.020	0.033	0.213	0.023	0.242	1.443	290.18	2.839	0.044	35.75	0.106	1.442	0.044	0.034		1.035
Thailand	0.030	0.033	0.019	0.031	0.206	0.022	0.234	1.394	280.25	2.742	0.043	34.53	0.102	1.392	0.042	0.032	0.966	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of February. 18, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	26	**ALL COUNTRY (AC) WORLD***	289.96	-0.86%	**-3.2%**	39.4%
2.50	27	**World (Developed Markets)**	1,133.79	-0.79	**-3.0**	35.2
1.80	116	**World Small Cap**	189.46	-0.82	**-0.4**	53.0
2.60	22	**Kokusai (World ex-Japan)**	1,118.93	-0.69	**-3.5**	38.0
3.00	27	**EAFE**	1,502.90	-1.21	**-4.9**	34.8
2.10	20	**Emerging Markets (EM)**	945.09	-1.33	**-4.5**	78.5
2.60	22	**AC ASIA PACIFIC EX-JAPAN**	397.62	-1.57	**-4.5**	74.2
2.10	22	**AC Far East ex-Japan**	427.55	-1.26	**-5.0**	66.7
1.70	-36	**Japan**	566.45	2.30	**-0.3**	15.8
2.00	19	**China**	60.82	1.29	**-6.2**	62.5
0.90	37	**China A (China Domestic)**	3,104.25	0.00	**-8.2**	61.0
2.70	22	**Hong Kong**	9,818.09	0.70	**-3.5**	49.0
1.00	20	**India**	672.00	1.07	**-5.0**	85.3
1.10	16	**Korea**	462.53	1.83	**-3.8**	44.5
2.40	19	**Malaysia**	462.91	0.36	**-1.5**	41.4
3.10	17	**Singapore**	1,552.42	1.03	**-4.5**	57.5
2.60	232	**Taiwan**	269.24	0.00	**-9.0**	68.7
3.00	18	**Thailand**	281.47	0.96	**-6.7**	57.5
4.00	24	**Australia**	964.53	2.27	**-3.7**	32.4
5.40	16	**New Zealand**	83.26	1.63	**-4.5**	3.9
1.90	32	**US BROAD MARKET**	1,225.37	-0.47	**-0.9**	36.2
3.40	17	**EUROPE**	85.99	1.31	**-2.6**	28.5

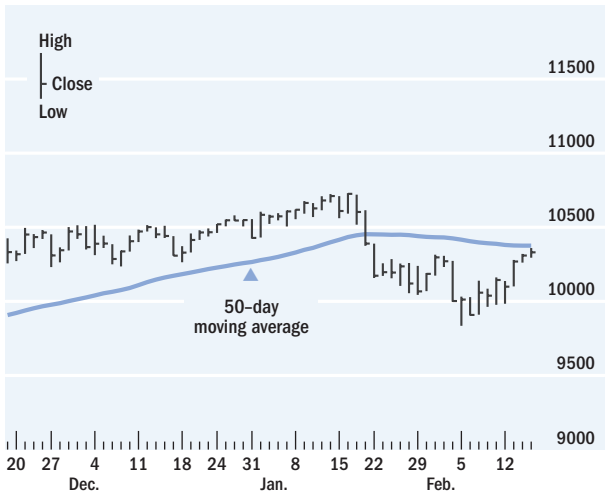
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 16

LAST: **10330.78** ▲ 21.54, or 0.21%
YEAR TO DATE: ▼ **97.27, or 0.9%**
OVER 52 WEEKS ▲ **2,864.83, or 38.4%**



Nasdaq Composite Index P/E: 19*

LAST: **2230.33** ▲ 4.04, or 0.18%
YEAR TO DATE: ▼ **38.82, or 1.7%**
OVER 52 WEEKS ▲ **787.51, or 54.6%**

S&P 500 Index P/E: 26

LAST: **1101.35** ▲ 1.84, or 0.17%
YEAR TO DATE: ▼ **13.75, or 1.2%**
OVER 52 WEEKS ▲ **322.41, or 41.4%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**7.90**	$25.25	-0.15	**-0.59%**
Alcoa	AA	**13.70**	13.45	-0.15	**-1.10**
AmExpress	AXP	**2.30**	38.85	-0.20	**-0.51**
BankAm	BAC	**93.90**	15.84	0.18	**1.15**
Boeing	BA	**1.80**	62.31	0.49	**0.79**
Caterpillar	CAT	**3.20**	57.59	0.09	**0.16**
Chevron	CVX	**3.90**	72.60	-0.24	**-0.33**
CiscoSys	CSCO	**18.10**	24.13	0.06	**0.25**
CocaCola	KO	**3.60**	55.62	0.29	**0.52**
Disney	DIS	**3.70**	30.98	0.12	**0.39**
DuPont	DD	**2.60**	33.48	0.35	**1.06**
ExxonMobil	XOM	**8.30**	65.68	-0.08	**-0.12**
GenElec	GE	**20.80**	16.13	-0.02	**-0.11**
HewlettPk	HPQ	**12.90**	50.62	0.50	**1.00**
HomeDpt	HD	**8.00**	30.11	0.09	**0.30**
Intel	INTC	**21.10**	20.68	0.02	**0.08**
IBM	IBM	**2.30**	127.26	0.92	**0.73**
JPMorgChas	JPM	**14.40**	40.20	0.16	**0.40**
JohnsJohns	JNJ	**3.30**	64.49	0.51	**0.80**
KftFoods	KFT	**6.20**	28.57	-0.06	**-0.21**
McDonalds	MCD	**1.70**	64.21	-0.05	**-0.08**
Merck	MRK	**3.90**	37.15	-0.19	**-0.51**
Microsoft	MSFT	**14.90**	28.68	0.09	**0.31**
Pfizer	PFE	**19.70**	17.60	-0.07	**-0.40**
ProctGamb	PG	**6.30**	62.65	-0.20	**-0.32**
3M	MMM	**0.90**	80.57	0.43	**0.54**
TravelersCos	TRV	**1.60**	52.43	0.68	**1.32**
UnitedTech	UTX	**1.50**	67.86	0.51	**0.76**
Verizon	VZ	**4.50**	28.98	-0.16	**-0.55**
WalMart	WMT	**12.50**	53.24	-0.82	**-1.52**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
SiriusXM	SIRI	**134.2**	$1.12	$0.07	**6.67%**
Citigroup	C	**132.0**	3.43	0.02	**0.59**
BankAm	BAC	**96.0**	15.84	0.18	**1.12**
SPDR S&P 500	SPY	**74.7**	110.38	0.12	**0.11**
PwrShrs QQQ	QQQQ	**32.1**	44.68	0.11	**0.25**
LasVegasSands	LVS	**28.7**	15.98	–1.48	**–8.48**
iShrMSCIEmrgMkt	EEM	**28.3**	39.49	–0.08	**–0.20**
DrxFinancBear 3x	FAZ	**26.2**	18.86	–0.04	**–0.21**
MGM Mirage	MGM	**26.1**	11.06	–0.58	**–4.94**
ApldMatl	AMAT	**26.1**	12.48	–0.51	**–3.93**
SPDR FnclSelSct	XLF	**25.7**	14.31	0.02	**0.14**
NVIDIA	NVDA	**24.6**	16.87	–0.97	**–5.44**
YRC Worldwide	YRCW	**24.2**	0.38	–0.01	**–3.59**
FordMotor	F	**23.6**	11.42	–0.07	**–0.61**
RiteAid	RAD	**22.0**	1.58	0.19	**13.67**

Biggest gainers...

ZenithNtl	ZNT	**13,671.8**	$37.79	$8.88	**30.72%**
ComrclVehGp	CVGI	**79.8**	5.67	0.68	**13.63**
TelInstrElec	TIK	**2.8**	7.18	0.78	**12.11**
TorchEgyTr	TRU	**16.5**	4.35	0.45	**11.54**
CarriageSvcs	CSV	**42.4**	4.27	0.42	**10.91**

...Biggest losers

Xenoport	XNPT	**20,635.4**	$6.57	-$13.03	**-66.48%**
CardiacSci	CSCX	**1,462.9**	2.21	-0.66	**-23.00**
Unilife	UNIS	**58.7**	14.00	-3.90	**-21.79**
TricoMarine	TRMA	**618.4**	3.10	-0.72	**-18.85**
DepoMed	DEPO	**1,362.2**	2.54	-0.56	**-18.06**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$82.74	$33.09	**BHP Billiton**	BHP	**2,549.5**	$74.76	0.51	**0.69%**
11.69	6.88	**Taiwan Semi**	TSM	**2,231.9**	10.00	-0.02	**-0.20**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**2,028.0**	5.03	0.03	**0.60**
91.97	56.79	**Toyota Motor**	TM	**1,175.9**	73.75	-0.40	**-0.54**
4.24	1.65	**Utd Microelectronics**	UMC	**953.7**	3.76	-0.02	**-0.40**
15.95	8.65	**China Unicom**	CHU	**650.8**	11.35	-0.11	**-0.96**
18.20	6.85	**Korea Elec Pwr**	KEP	**585.8**	17.08	-0.35	**-2.01**
59.13	22.61	**Infosys Tech**	INFY	**574.7**	55.26	-0.14	**-0.25**
35.59	15.64	**Sony**	SNE	**570.1**	34.61	0.17	**0.49**
13.30	6.35	**AU Optrncs**	AUO	**564.8**	11.50	-0.04	**-0.35**
59.22	40.20	**China Mobile**	CHL	**489.5**	49.38	0.02	**0.04**
8.19	4.18	**Siliconware Prec Ind**	SPIL	**483.0**	6.47	-0.06	**-0.92**
34.27	10.70	**Aluminum Cp of China**	ACH	**278.6**	23.98	-0.38	**-1.56**
9.50	3.96	**Nomura Hldgs**	NMR	**235.1**	7.20	-0.09	**-1.23**
18.64	12.59	**SK Telecom**	SKM	**223.4**	17.17	0.09	**0.53**
81.00	38.70	**China Life Ins**	LFC	**208.4**	66.94	0.13	**0.19**
37.23	20.72	**Honda Motor**	HMC	**204.9**	34.53	-0.14	**-0.40**
5.23	1.57	**Adv Semi Engrg**	ASX	**204.3**	4.39	-0.08	**-1.79**
21.22	16.33	**ChunghwaTel**	CHT	**162.1**	18.73	0.24	**1.30**
21.78	11.30	**KT Corp**	KT	**161.8**	20.31	-0.08	**-0.39**
9.82	5.43	**Telecom Corp of NZ**	NZT	**151.1**	8.28	0.02	**0.24**
17.19	10.60	**Matsushita Elec**	PC	**120.8**	14.33	-0.20	**-1.38**
135.92	63.94	**PetroChina**	PTR	**112.7**	112.44	-0.26	**-0.23**
24.09	17.71	**NTT**	NTT	**104.1**	21.73	-0.28	**-1.27**
150.50	47.09	**POSCO**	PKX	**99.0**	119.43	-0.07	**-0.06**
7.74	2.00	**Alumina**	AWC	**97.8**	5.90	-0.04	**-0.67**
94.00	46.45	**China Petro & Chem**	SNP	**94.2**	76.32	-0.55	**-0.72**
43.95	21.23	**Canon**	CAJ	**85.8**	40.96	-0.11	**-0.26**
41.87	19.90	**Telekom Indonesia**	TLK	**80.4**	37.04	-0.46	**-1.23**
13.45	2.00	**City Telecom**	CTEL	**68.9**	12.22	0.39	**3.30**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

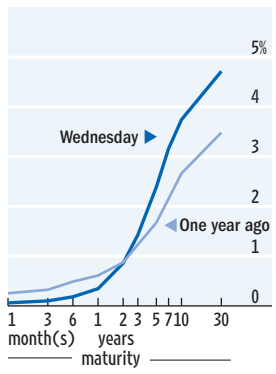
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.640%**	**378.5**	378.4	357.7	**162.1**	**4.610%**	4.458%	**2.584%**
4.500	10	**5.610**	**185.1**	189.2	189.9	**131.6**	**5.585**	5.582	**4.079**
5.000	**Austria** 2	**1.405**	**55.0**	58.6	75.5	**44.7**	**1.412**	1.636	**1.410**
3.900	10	**3.691**	**-6.8**	-3.5	5.3	**157.0**	**3.658**	3.736	**4.333**
2.000	**Belgium** 2	**1.273**	**41.8**	47.9	1.7	**44.4**	**1.305**	0.898	**1.407**
3.750	10	**3.775**	**1.6**	5.2	17.5	**143.3**	**3.745**	3.858	**4.196**
1.500	**Canada** 2	**1.359**	**50.4**	50.3	39.1	**28.7**	**1.329**	1.272	**1.250**
3.750	10	**3.502**	**-25.7**	-21.4	-21.1	**9.4**	**3.479**	3.472	**2.857**
4.000	**Denmark** 2	**1.805**	**95.0**	98.5	101.6	**131.7**	**1.811**	1.897	**2.280**
4.000	10	**3.564**	**-19.5**	-16.9	-14.4	**66.2**	**3.524**	3.539	**3.425**
3.750	**France** 2	**1.046**	**19.1**	20.7	18.1	**44.3**	**1.033**	1.062	**1.406**
3.500	10	**3.528**	**-23.1**	-17.6	-17.5	**75.2**	**3.517**	3.508	**3.515**
1.250	**Germany** 2	**0.984**	**12.9**	14.3	25.1	**26.5**	**0.969**	1.132	**1.228**
3.250	10	**3.240**	**-51.9**	-50.0	-43.4	**21.6**	**3.193**	3.249	**2.979**
0.640	**Hong Kong** 2	**0.752**	**-10.3**	-7.9	-37.9	**-28.6**	**0.747**	0.502	**0.677**
2.160	10	**3.095**	**-66.4**	-73.0	-82.3	**-107.3**	**2.963**	2.860	**1.690**
5.000	**Italy** 2	**1.508**	**65.3**	67.6	49.4	**118.4**	**1.502**	1.375	**2.147**
4.250	10	**4.061**	**30.2**	35.2	37.5	**173.0**	**4.045**	4.058	**4.493**
0.200	**Japan** 2	**0.160**	**-69.5**	-66.6	-71.6	**-56.6**	**0.160**	0.165	**0.397**
1.300	10	**1.323**	**-243.6**	-236.2	-236.5	**-151.0**	**1.331**	1.318	**1.253**
2.500	**Netherlands** 2	**1.030**	**17.5**	20.7	-16.8	**63.6**	**1.033**	0.713	**1.599**
3.500	10	**3.527**	**-23.2**	-19.9	-23.2	**108.4**	**3.494**	3.451	**3.847**
3.200	**Portugal** 2	**1.391**	**53.6**	57.7	40.3	**85.0**	**1.403**	1.284	**1.813**
4.750	10	**4.422**	**66.3**	71.4	51.8	**182.3**	**4.407**	4.201	**4.586**
5.350	**Spain** 2	**1.447**	**59.2**	61.1	52.6	**110.7**	**1.437**	1.407	**2.070**
4.000	10	**4.025**	**26.6**	30.3	29.4	**145.7**	**3.996**	3.977	**4.220**
2.750	**Switzerland** 2	**0.384**	**-47.1**	-46.0	-29.1	**-70.3**	**0.366**	0.590	**0.260**
2.250	10	**1.954**	**-180.5**	-177.6	-161.5	**-75.5**	**1.917**	2.068	**2.008**
3.250	**U.K.** 2	**1.127**	**27.2**	33.6	33.6	**51.5**	**1.162**	1.217	**1.478**
3.750	10	**4.193**	**43.4**	44.4	25.4	**61.9**	**4.137**	3.937	**3.382**
0.875	**U.S.** 2	**0.855**	**...**	...	...	**...**	**0.826**	0.881	**0.963**
3.625	10	**3.759**	**...**	...	...	**...**	**3.693**	3.683	**2.763**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.713%**	16.03	–3.06 %	–0.70 %	–0.70 %	–15.18 %
10-year Treasury	**3.742**	8.31	–0.85	1.31	1.31	–5.34
7 Year Treasury	**3.160**	6.20	–0.31	2.01	2.01	...
Five-year Treasury	**2.391**	4.65	–0.07	1.58	1.58	1.03
Ryan Index	**2.716**	6.67	–0.71	1.04	1.04	–2.39
3 Year Treasury	**1.428**	2.92	0.06	1.20	1.20	2.62
Two-year Treasury	**0.859**	1.93	–0.01	0.77	0.77	2.09
1 Year Treasury	**0.346**	0.98	–0.02	0.19	0.19	1.25
Six-month Treasury	**0.183**	0.50	...	0.04	0.04	0.65
Ryan Cash Index-a	**0.173**	0.45	...	0.06	0.06	0.60
Three-month bill	**0.101**	0.25	0.01	0.02	0.02	0.37
One-month bill	**0.061**	0.08	...	...	...	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.00
Japan	**1.475**	1.475
Britain	**0.50**	1.00
ECB	**1.00**	2.00
Switzerland	**0.53**	0.52
Australia	**3.75**	3.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.22875%**	0.47313%
Three month	**0.25125**	1.25063
Six month	**0.38438**	1.78938
One year	**0.85375**	2.10125

	Latest	52 wks ago
Euro Libor		
One month	**0.38438%**	1.57375%
Three month	**0.60250**	1.88500
Six month	**0.91125**	1.98250
One year	**1.20375**	2.08563
Hibor		
One month	**0.06929**	0.17571%
Three month	**0.13000**	0.77714
Six month	**0.24000**	1.12786
One year	**0.53000**	1.59571
Asian dollars		
One month	**0.2376%**	0.47%
Three month	**0.2546**	1.2480
Six month	**0.3910**	1.7660
One year	**0.8500**	2.0720

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.3300**	0.2300
Six month	**0.5500**	0.3500
One year	**0.8500**	0.5000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.19%**	0.28%
U.K. (BBA)	**0.520**	1.042
Euro zone	**0.29**	1.27

Sources: WSJ Market Data Group; Reuters

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Thursday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

Nikkei Stock Average
Japan 10335.69
▲ **0.28% or 28.86**

Banks rose after the Bank of Japan left its interest rate unchanged. Mitsubishi UFJ Financial Group advanced 1.1%. Nippon Yusen, a recent gainer, slid 1.2%.

Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**84.19**	176	unch	...
Mtshbsh Fin Grp	**71.95**	456	5	1.11
Toshiba	**54.99**	454	umch	...
Hitachi	**32.12**	305	2	0.66
Sanyo Elec	**26.24**	144	–2	–1.37

Straits-Times
Singapore 2769.19
▼ **0.89% or 24.87**

The index broke a three-session win streak. Commodities concern Olam International fell 2.7%, while Noble Group fell 2.9%. Genting shed 6.9% ahead of Friday's earnings report.

Stock	Volume in millions	Close	Change Net	Change %
Genting Spore	**368.72**	0.95	–0.07	–6.86
Golden Agri	**65.47**	0.55	–0.01	–1.79
Noble Grp	**14.17**	2.97	–0.09	–2.94
Sing Telecom	**12.58**	3.04	0.04	1.33
CapitaLand	**11.32**	3.92	–0.08	–2.00

Sensex
India 16327.84
▼ **0.62% or 101.07**

Reliance Industries fell on an Economic Times newspaper report that it might have to raise its offer for LyondellBasell Industries, leading the market broadly lower.

Stock	Volume in millions	Close	Change Net	Change %
Hindalco-A	**2.84**	152.10	–0.70	–0.46
Dlf-A	**2.23**	303.75	–1.90	–0.62
Bharti Airtel-A	**1.51**	281.10	2.00	0.72
Tata Steel-A	**1.32**	577.35	–7.55	–1.29
Reliance-A	**1.15**	997.40	–34.60	–3.35

Hang Seng
Hong Kong 20422.15
▼ **0.54% or 111.86**

Chinese banks such as Industrial & Commercial Bank of China gave back some of their recent gains. Casino operator Sands China fell on weak earnings from its U.S. parent.

Stock	Volume in millions	Close	Change Net	Change %
Icbc	**136.37**	5.65	–0.05	–0.88
CCB	**122.20**	5.94	–0.06	–1.00
Bank Of China	**110.85**	3.82	–0.06	–1.55
PetroChina	**61.53**	8.71	–0.07	–0.80
CNOOC	**42.40**	12.24	–0.10	–0.81

Asian stocks in the news

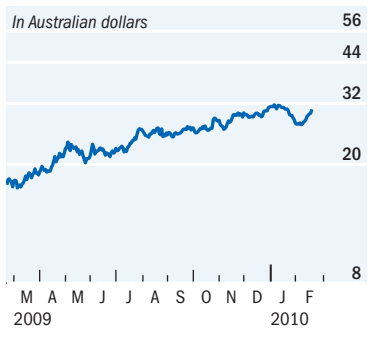
Sumitomo Elec Inds
Japan ¥1,126
▲ **2.6% or ¥29**

Mizuho Securities on Wednesday raised its rating on the company to outperform.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**60**
Earnings per share, past four quarters				**18.90**
Dividend yield				**1.2**
	PERCENTAGE CHANGE			
Automobiles & Parts		**-0.2%**	0.3%	47.1%
Sumitomo Elec Inds		**2.6%**	2.9%	47.8%

Wesfarmers
Australia A$30.60
▲ **3.2% or A$0.95**

Its first-half profit beat estimates and it raised its interim dividend.



		Daily	1 wk.	52 wks
Price-to-earnings ratio				**24**
Earnings per share, past four quarters				**1.30**
Dividend yield				**1.8**
	PERCENTAGE CHANGE			
Retail		**1.0%**	2.5%	42.5%
Wesfarmers		**3.2%**	8.1%	79.1%

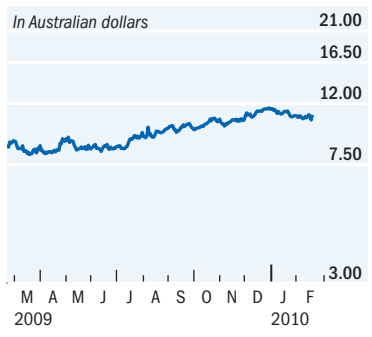
Transurban Grp
Australia A$5.27
▲ **3.3% or A$0.17**

RBS and UBS both upgraded the stock to a buy rating.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**285**
Earnings per share, past four quarters				**0.02**
Dividend yield				**2.3**
	PERCENTAGE CHANGE			
Indus Gds & Svcs		**-0.1%**	2.2%	62.7%
Transurban Grp		**3.3%**	0.4%	8.0%

Coca-Cola Amatil
Australia A$11.00
▲ **4.1% or A$0.43**

Consumer-staples stocks outperformed the broader market Thursday.



		Daily	1 wk.	52 wks
Price-to-earnings ratio				**18**
Earnings per share, past four quarters				**0.61**
Dividend yield				**2.3**
	PERCENTAGE CHANGE			
Food & Beverage		**0.1%**	1.3%	51.6%
Coca-Cola Amatil		**4.1%**	2.4%	26.1%

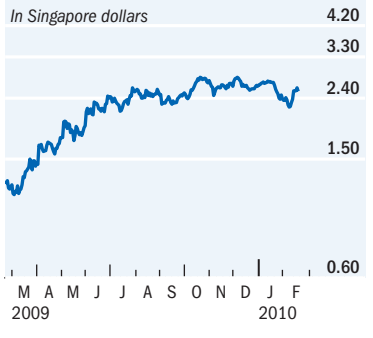
Shinsei Bank
Japan ¥108
▲ **6.9% or ¥7**

Morgan Stanley may have to hand over a Japanese hotel chain to creditors including Shinsei.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**22**
Earnings per share, past four quarters				**4.90**
Dividend yield				**0.9**
	PERCENTAGE CHANGE			
Banks		**-0.1%**	2.6%	48.8%
Shinsei Bank		**6.9%**	1.9%	16.1%

Olam Intl
Singapore S$2.53
▼ **2.7% or S$0.07**

Stocks that led the Singapore index higher on Wednesday fell on Thursday.



		Daily	1 wk.	52 wks
Price-to-earnings ratio				**15**
Earnings per share, past four quarters				**0.17**
Dividend yield				**1.5**
	PERCENTAGE CHANGE			
Food & Beverage		**0.1%**	1.3%	51.6%
Olam Intl		**-2.7%**	6.3%	100.8%

Lihir Gold
Australia A$2.79
▼ **3.5% or A$0.10**

Gold prices fell on the IMF's surprise announcement that it will sell 191.3 tons of gold.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**none**
Earnings per share, past four quarters				**-0.10**
Dividend yield				**0.5**
	PERCENTAGE CHANGE			
Basic Resources		**-0.9%**	2.8%	76.3%
Lihir Gold		**-3.5%**	-2.4%	-21.0%

Fortescue Metals Grp
Australia A$4.96
▼ **3.9% or A$0.20**

Disappointing earnings at rivals and falling metals prices hit the mining sector.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**23**
Earnings per share, past four quarters				**0.22**
Dividend yield				**none**
	PERCENTAGE CHANGE			
Basic Resources		**-0.9%**	2.8%	76.3%
Fortescue Metals Grp		**-3.9%**	4.4%	71.0%

Sims Metal Mgmt
Australia A$19.79
▼ **8.0% or A$1.71**

Its first-half profit disappointed and it cut its dividend.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**none**
Earnings per share, past four quarters				**-0.18**
Dividend yield				**0.5**
	PERCENTAGE CHANGE			
Indus Gds & Svcs		**-0.1%**	2.2%	62.7%
Sims Metal Mgmt		**-8.0%**	-5.1%	14.6%

Qantas Airways
Australia A$2.73
▼ **8.1% or A$0.24**

Its full-year forecasts suggested a much weaker second half of the year.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**none**
Earnings per share, past four quarters				**-0.03**
Dividend yield				**none**
	PERCENTAGE CHANGE			
Travel & Leisure		**-0.8%**	0.7%	23.3%
Qantas Airways		**-8.1%**	-5.9%	56.0%

HEARD ON THE STREET

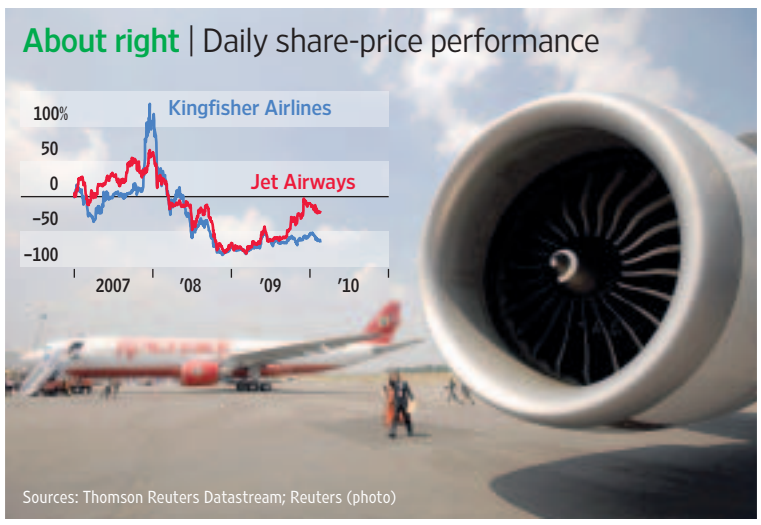
Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

India's big airlines not getting much lift

A meaningful turnaround for **Kingfisher Airlines** and **Jet Airways** may lie in New Delhi's hands. Don't bet on that help coming, though.

Operating conditions for both have improved. A nearly 23% on-year rise in air traffic in January marked the seventh month of gains in India. Capacity cuts have begun to yield benefits. Load factors are higher, and Jet recently posted a profit of $23 million in the December quarter after three straight quarters of losses.

But the recovery is stunted by a mountain of debt at both airlines. A massive expansion spree aimed at building full-service carriers instead left Jet Airways saddled with about $3 billion of debt and Kingfisher about $1.4 billion. Economic crises only highlighted the folly of such rapid expansion. Since April 2008, Kingfisher lost nearly $486 million and Jet $338 million, as travelers stayed home and fuel costs rose.



And anyway, the rebound in this travel slump isn't ideal. Passengers are returning, but mostly to the low-cost segment, to which Jet and Kingfisher's full-service business model isn't suited. Competitors such as **SpiceJet** and **Indigo**, which started as budget airlines, have fleets and operational structures better-suited to the mission of keeping costs low. And National giant **Air India** is trying to squeeze into the segment.

The carriers are lobbying New Delhi for help, but lawmakers have resisted bailouts, even in the case of flag carrier Air India. One option—to open investment in the industry to foreign airlines—might offer an instant cure, with Asian and European carriers eager to access India's growing market. But it's a proposal that Delhi has repeatedly ruled out.

Another response would be to cut India's jet-fuel taxes, which make the cost of fuel 70% higher in India than globally. There isn't much hope in this, either. The government uses the taxes to fund subsidies on kerosene and diesel used by the poor.

Jet pushed back debt repayment by three years, and Kingfisher hopes to raise money by selling stock. These aren't lasting solutions. But those hoping for lawmakers to help out, past experience shows, could be waiting a long time.

—Harsh Joshi

Spain's problem is a lack of growth, not the deficit

Spain has been getting a bad rap. It got caught up in the wave of jitters that started in Greece and moved to other high-deficit countries. This was unfair. To underline the point, Spain successfully sold a €5 billion ($6.8 billion) 15-year bond Wednesday after swiftly drawing in €13.5 billion of orders.

But Spain mustn't rest on its laurels. While its deficit isn't necessarily a cause for concern, growth is. The government must push through structural reforms to reorient the economy.

True, the bald figures on Spain's fiscal position look grim: The budget deficit hit 11.4% of gross domestic product in 2009, the debt-to-GDP ratio could double due to the crisis, and unemployment has soared to nearly 19%. The economy shrank 0.1% in the last quarter and 3.6% in 2009. Standard & Poor's cut its rating to double-A-plus, arguing that policy actions haven't been strong enough.

But crucially, and in contrast to Greece, Spain has fiscal credibility. It was the private sector that built up debt in the boom years. The government's debt-to-GDP ratio fell steadily, reaching 40% by 2007. The charge that it isn't taking strong action seems harsh: Spain has announced tax increases for 2010, including a two-percentage-point rise in the value-added tax and higher capital-gains taxes. Prime Minister José Luis Rodriguez Zapatero on Wednesday said he could cut more than €50 billion from spending through 2013.

Spain has considerable strengths. The current-account deficit nearly halved in the first nine months of 2009 compared with the year-earlier period, and imports have tumbled. The country's banks have had a smooth ride through the crisis, thanks partly to shrewd regulation that forced them to set aside additional provisions during good years.

What could damage confidence in Spain is a lack of growth. Mr. Zapatero assumes nominal growth of 3.3% in 2011, 4.9% in 2012 and 5.2% in 2013. That looks highly ambitious, given that the growth model of construction, property and leverage has been discredited by the financial crisis. That makes structural reform key—in particular to boost labor-market flexibility.

The markets seem willing to give Spain breathing space to develop conditions for growth. It mustn't blow it.

—Richard Barley

The collateral damage from bond volatility

Just a glitch? Or a disruption? Europe's credit markets have sustained collateral damage from volatility in the government-bond market. Issuance has slowed sharply; the high-yield market, no surprise, has taken the most pain, leaving a trail of abandoned issues. Corporate-bond investors face greater risks, but the dip should prove temporary.

Nonfinancial investment-grade issuance this year stands at €18 billion ($24.5 billion), down 74% from €69.8 billion a year earlier, according to Société Générale.

After €5 billion of sales in January, high-yield issuance has slowed to a trickle, and a string of deals have been pulled. Yield premiums over government debt, which tightened dramatically in January, have reversed course, and some high-profile bonds have performed poorly.

Still, a recent debut bond by Dutch data-center operator **Interxion** at the peak of the sovereign volatility shows the European high-yield market is open for the right issuers. In the investment-grade market, triple-B-rated electrical-equipment group **Legrand**'s debut bond this week was oversubscribed.

Moreover, corporate treasurers know they can't rely only on banks for financing, as many did before the global financial crisis, and so will continue to replace loan finance with bonds where possible.

That shift ensures that companies eager to diversify their funding will be looking to issue once this bout of nerves subsides.

But with investors worried about the risk of fiscal and monetary policy errors, a fragile financial system and some disappointing recent economic data proving disappointing, demand may prove more fickle—or at the least more price-sensitive—than in 2009.

—Richard Barley

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